

COMMITTEE ON FINANCE

May 22, 2001

6:00 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Clancy.

A moment of silent prayer was observed.

The Clerk called the roll. There were thirteen Aldermen present.

Present: Aldermen Wihby, Levasseur, Sysyn, Clancy, Pinard, O'Neil, Lopez, Shea, Vaillancourt, Pariseau, Cashin, Thibault, Hirschmann (arrived late)

Absent: Alderman Gatsas

Continuing discussions relative to FY2002 budget requests as follows:

NHMA Trust

Ms. Wendy Parker stated first of all I would like to thank the Mayor and the Board of Aldermen for allowing the NHMA Health Insurance Trust the opportunity to talk to you this evening regarding the RFP response that the Trust submitted to the City back in September of 2000. I would first like to introduce myself. My name is Wendy Parker and I am the Trust Manager from the NH Municipal Health Insurance Trust. With me I have Kerry Reynolds. Kerry is the underwriting consultant for the Trust and has been with the Trust since its inception in 1984. Also with me I have Robert Lloyd who is legal counsel for the Health Trust and has also been with the Trust since 1984. I am sure today that we will be able to answer the questions that you have that are outstanding relative to our RFP. It is my understanding that you have really three areas of concern or question that you would like us to mainly address tonight. Those items being first prescription drug coverage through the Health Trust. Second being how we establish our rates through the RFP process and third our contract with Anthem relative to receiving proposals directly from Anthem should the City decide to come with the Health Insurance Trust. I would like to address all three of those items for you tonight. Prior to doing that, I would like to give you an overview of what NHMA Health Insurance Trust is, how we are organized and what we feel we can provide to the

City as a partner for your health insurance. Let me begin by saying that the Trust was created in 1984 by a group of municipalities who were trying to find a way to do two things. One was control rising health insurance costs and at the same time make sure that health insurance was available to all members of the public sector. There were times when many insurance companies did not look favorably upon insuring municipalities for health insurance or worker's compensation or property liability insurance and this was the community's way of getting together and finding a solution to that. So we started as a very small vision in about 12 community's minds and today in 2001 we insure over 60,000 employees, dependents and retirees representing over 300 communities, school districts and counties throughout the State of New Hampshire so we think that we are serving the public sector to the best of our ability through those numbers. At the NHMA Health Insurance Trust we are more than health insurance. Although that is the proposal that we have in front of you today, it includes our health insurance as well as our vast Wellness Program, which is called Slice of Life. We also provide dental insurance, short-term disability, long-term disability and life insurance. Right now for the dental insurance it is equal in size to our health insurance pool. I think the other thing that makes us unique that you may or may not be aware of is the representation and governance of our Board of Trustees. The NHMA Health Trust is governed by a Board of 17 trustees made up of local officials and labor representatives throughout the State of NH. Officials such as superintendents, selectmen, school business officials, finance directors and town managers. Those 17 members make all of the decisions for the Health Insurance Trust and I think their decisions are based greatly on the needs of each individual member that we have with us because it is a requirement that each of our Board members be a participating member in our plans so they are living every day the budget constraints and the negotiation concerns regarding all of the same things that you have here in Manchester and they are looking out for the members. The first area that I said we were here to talk about is the prescription drugs. Through our fee one thing that does set us apart from Anthem's direct coverage is our prescription drug coverage. Since 1989 we have gone out and purchased our own prescription drug coverage for all of our members. That prescription drug coverage is offered through Merc-Medco, one of the leading pharmaceutical benefit managers in the country. Through that coverage we are able to look at different co-payment amounts, as well as our formularies and really manage our program. Through the RFP process we did quote what was a \$3/\$15 prescription drug card. That is not the current benefit that you have, but in working with the City over the past few months I want to make it clear that the benefit that you have currently is a benefit that we can provide for you so if, through your contract negotiations you need to remain with either the \$5/\$10 prescription drug co-payment you have or on your Matthew Thornton Blue Program, the \$5, \$15, \$25, those co-payment amounts can be matched through the Health Trust. I think there was some concern last week raised as to whether that could be done and I wanted to clear up that yes that could

be done and we can provide that coverage for you. For the Blue Choice Program we quoted a \$3/\$15 and Kerry and I have been working during the last several days to look at the cost for that and we would be able to match that cost for the different prescription drug benefits.

Alderman Wihby asked so if the prescription \$5/\$10, \$5/\$15/\$25, if we took that which is the same thing that we have now, the price would still be the same.

Ms. Parker answered yes we would be able to hold that cost even with what you have.

Alderman Wihby stated Blue Cross was here and they told us about the RFP. Are you going to get to that?

Ms. Parker replied yes we have two other items that Kerry and Bob are both going to address.

Mr. Reynolds stated our rates were established in response to an RFP that we replied to in September of 2000 for a July 2001 effective date. Is the question how our rates compare to Anthem Blue Cross?

Alderman Wihby replied the question is if we were going to switch over we would want to make sure that the bid was on the exact same benefits that we have now otherwise the contract wouldn't be any good.

Mr. Reynolds stated the only difference I am aware of and I would like Wendy to think about this, is we do have a different prescription drug administrator but we can administer the same benefits I believe.

Ms. Parker stated the only difference still would be, and we certainly could look at this, with our prescription drug program even on the three-tiered co-payment we only charge or administer to the employee one co-payment for a 90-day supply. Currently through Anthem your employees are paying three co-payments for a 90 days supply through the mail service program. We could administer that, but our standard program is one co-payment for every 90-day supply. That would be at the City's discretion.

Alderman Vaillancourt asked does that mean that your co-payment is three times as much.

Ms. Parker answered no it is actually less. Anthem charges three co-payments to receive a 90 day supply so if you were on a \$5 prescription it would be \$15 for a 90 day supply and ours would be \$5 for the 90 day supply.

Alderman Vaillancourt asked so this is a rather substantial benefit to the people that use the program.

Ms. Parker answered yes and that is how our proposal was put together.

Mr. Reynolds stated I would also note that the rates were based upon two years of the City's own experience and our medical inflation factor at the rate of 11.5% annual.

Mayor Baines stated we do have an agreement with Blue Cross/Blue Shield that if we were to withdraw from the plan after one year then they would not be available to bid on the situation.

Ms. Parker replied yes and I would like Bob Lloyd to address that. Bob and I are the two who negotiated the contract with Anthem and I would like Bob to address that.

Mr. Lloyd stated the provision that currently is in the contract that you are speaking to is a provision that makes the Health Trust really the sole provider of Blue Cross products in the NH public sector or at least those entities who are eligible to participate in the Trust and that do participate in the Trust and the reason for that is as Wendy mentioned the Trust began in 1984 and since 1984 the Trust has offered Blue Cross products. Over time, as Wendy mentioned the Trust has grown and as the Trust has grown and a greater number of public employees have participated in the Trust the Trust naturally has had a greater voice with Anthem, which was formerly NH Blue Cross/Blue Shield and they have participated over time in providing direction to Blue Cross/Blue Shield and to Anthem with regard to special factors that might be of interest to the public sector employees that are not necessarily as a parent to Anthem with regard to the private sector. In developing this relationship actually, Anthem and the Health Trust talk about themselves as actually being partners in the public sector and offering the Anthem products to the public sector employees. In this vein, as the relationship has grown and become closer and closer and the Health Trust has had a greater voice in Anthem offerings, particularly for public sector employees, it becomes necessary for the two entities to share information with each other that might be confidential and that might be proprietary but certainly that competitors would not normally share with each other. If the two entities have a partnership and they share information, particularly with regard to the design of product and things of that nature, then it becomes necessary for them to really limit the manner in which they compete in order to comply with anti-trust and other laws. Recognizing that the Anthem and Health Trust relationship had grown to that stage, the contract was revised and in 1999 this provision was put in and really the Trust is the source of

Anthem products in the public sector. It is a little bit of a change from the prior contract but it really was put in place to comply with the law and to recognize the way the relationship between Anthem and the Trust is really conducted.

Alderman Shea asked are you a for profit or non-profit.

Ms. Parker answered we are a non-profit.

Mr. Hodgen stated I am concerned because currently the Blue Choice prescription plan is a \$1/\$5/\$10 plan so for a 90 day prescription the cost to an employee is \$1, not \$15 or \$15. I am concerned that if we are going to consider changing that those prescription benefits have to be exactly the same.

Ms. Parker replied the prescription drug program that I used in my example is actually your Matthew Thornton Blue benefit. For the Blue Choice benefit what we said we would do is hold the prices current for a \$5/\$10/\$1 and it would be a \$1 co-payment for a 90 day supply on your Blue Choice Program and then a \$5 or \$10 co-payment when you are standing at the retail pharmacy. On the Matthew Thornton Blue Program you do have a \$5/\$15/\$25 three tiered structure that does require three co-payments for a 90 day supply.

Non-Departmental

Mr. Clougherty stated the Mayor has asked me to walk the Board through the non-departmental items. If you turn to tab 25 in your binder, the first item that is generally considered non-department is debt. There is maturing debt and interest on maturing debt. If you go to the Mayor's recommended column, the number there is \$13,532,747. Does everybody have that? That is the City's municipal portion of the debt. That doesn't include School. If you were to go to the reports that we have given to the CIP Committee as part of the process and that you see in your quarterly financials that we give you every month, the amount of debt that we have to pay during the next fiscal year for the bonds that we have issued in the past is \$13,132,745.84. The number that you have under the Mayor's recommended column is \$400,000 for than what we have in there. The reason for that is we expect to issue bonds this year and we will have to make one interest payment during the course of the year, which will be about \$400,000. If you take a \$20 million bond issue at 5% or 4%, interest annually would be \$800,000 and we would only have to make one payment so that is where the \$400,000 comes from. What we want to make clear is we put the whole \$400,000 for that \$20 million bond issue on the City side so that if the amount is more or less when we issue the bonds we will transfer from this account to the School what they need to cover their side rather than giving them an amount earlier and then they would

have more or less in their budget. Once we know what the actual bond issue is, it will be moved over.

Alderman Thibault asked what percentage is their amount.

Mr. Clougherty asked of the \$20 million that is coming up.

Alderman Thibault answered yes.

Mr. Clougherty stated a little less than half. We would also as part of this...

Alderman Thibault interjected so it is 46% or 47%.

Mr. Clougherty answered right and that may change Alderman. As you know, as part of the CIP this year there was some movement of money from the Riverfront to School so we may have to during the year move some from our \$13 million over to the School side so that that covers that relationship but the City's amount is \$13 million for what we have outstanding and the School's amount is \$8,012,721 for a total of \$21 million.

Alderman Wihby asked if you look at the year-to-date interest on maturing debt it is \$2.3 million and you have \$3.5 million almost. Does that mean you are going to have some money left over in there?

Mr. Clougherty answered no. We have payments on April 1, two on May 1 and two on June 1 that total \$3.3 million so that is going to get us just to within \$10 of the \$10,287,000. I can give you that schedule if you would like.

Alderman Wihby stated I am looking at the one page sheet year-to-date through 3/17/01. It is the same number. If you look in the book YTD is \$2,343,588 and you had \$3,585,000. What are you telling me that you are going to use for the next three months?

Mr. Clougherty replied this year our total debt service is budgeted at \$13.8 million. We have spent to date \$9,339,000. We expect to spend another \$3+ million. I can give you that schedule. We will spend exactly the \$13,873,000 within \$10. The next item is the next tab, 26. The first item that is on there is labeled school deficit. At the time that the Mayor was putting the budget together he didn't have an audit and he didn't know exactly what the deficit would be. He put in an amount of \$850,000, which seemed to be about half of what the deficit would be with the idea that over a couple of years there would have to be some action at some point to deal with that deficit. As we get closer and go through court, that would have to be refined.

Alderman Wihby asked the \$850,000, why, especially since we are in the middle of a court case, why are we even using that on our side of the balance sheet. Why are we just not using that all and waiting until the court case?

Mr. Clougherty answered that may be an option.

Alderman Wihby asked why isn't it the responsibility of the School Department and not us to fund it.

Mr. Clougherty answered again at the time the Mayor was pulling together his budget he wasn't aware of what the number was going to be and he thought just put something in there just in case.

Alderman Wihby asked don't you agree though that that number is part of the School and they should be using that as part of their number of in their number and trying to get that number down.

Mr. Clougherty answered right. In light of what we have seen since the Mayor pulled his numbers together that is probably a possibility.

Alderman Levasseur asked as far as the \$850,000 goes that we have put aside, I think that was one of the first things we did...that was part of the \$1.4 million, Mayor, that we put aside.

Mayor Baines answered no.

Alderman Levasseur asked where did that \$850,000 come from.

Mayor Baines answered it is totally different.

Alderman Levasseur asked how much do we have left over from the \$1.4 million that we put aside. Is that all gone? I thought we only voted in half of that to them.

Mayor Baines answered that is part of the whole scenario that we will be explaining next Thursday night.

Mr. Clougherty stated that is all part of the calculation that leads to the deficit, which is larger than what we are carrying here. We are only trying to cover for half of it. It was just the best guess at the time.

Alderman Levasseur stated I just want to go a little bit further with Alderman Wihby's point. Are we going to be responsible on the City side for that \$850,000 or is that just a tentative number that we are putting in there for now?

Mr. Clougherty replied it was a tentative number that we put in because...from the market perspective if you overspend your appropriation that is a mortal sin on Wall Street. That is an issue and they are going to be looking for the City to take some corrective action because the last time this happened we had a deficit committee and we went through a series of things to try and deal with that. They are going to be looking for some corrective action. So, the Mayor didn't know what the deficit was exactly so he was just trying to hold something there to make sure that we discussed this and as we get better information we will make sure that there is some remedial effort to show Wall Street that we are trying to deal with this problem.

Alderman Levasseur asked so this number is included in the total budget and it is not a separate number. It is included in the Mayor's complete budget?

Mr. Clougherty answered yes.

Alderman Wihby stated not in the School budget.

Mr. Clougherty stated after you discuss the situation with the School District you may want to do something with that number.

Alderman Vaillancourt stated so I understand you to say that this was a number that was just put there without any firm basis of knowing what it was. Do you have a better grasp today as you sit there to give us a firm number now?

Mr. Clougherty replied the last number we saw was about \$1.8 million.

Alderman Vaillancourt stated so instead of \$850,000 we are talking about \$1.8 million now.

Mr. Clougherty replied right but we didn't try to do it all in one year. We thought that given it is late in the current fiscal year that we would put in say half or close to half with the hopes that perhaps over fund balance that might be generated from School and next year they could deal with it over a two year period rather than trying to cause a bigger problem by trying to deal with it in a Draconian fashion in one year.

Alderman Vaillancourt asked is that acceptable by these powers that be that you speak of.

Mr. Clougherty answered I think if you go in with a plan...that would have to be part of it. They would also want to know what are you specifically doing to prevent this from recurring.

Mayor Baines stated from the Finance Office perspective we needed to demonstrate that we were going to address that and that was the basis of doing that.

Alderman Wihby stated they are short \$1.7 million and that is because we also helped them out with...what was the number that we gave them in the middle of the year.

Mayor Baines replied \$800,000.

Alderman Wihby stated so that really makes it \$2.5 million and then it is only \$2.5 million because they had additional revenues that covered how much, a couple of million.

Mayor Baines replied the total was \$3.6 million over the appropriation right Kevin.

Mr. Clougherty stated \$3.895 million I believe or something like that.

Alderman Wihby stated by right, especially with the philosophy of this Board and the City Solicitor, they should have come to us for an additional \$3.9 million worth of spending.

Mayor Baines replied that is correct.

Alderman Wihby stated and they didn't or they came to us and we gave them \$800,000 and now we are trying to take care of their other \$1.7 million problem. I guess you have to explain to me and maybe you agree with me that is not our problem. That is a school side problem. We have our funds. We have our reserves and that is what they should be doing over on their side. This should be part of their problem, which they pay out of their remaining funds that they have left over every year. Those remaining funds would go into a fund and they would start paying back some of this and it is just as easy to show that to these bond people that there is going to be some planning on the School side as it is to throw in this money and pay it on our side. True?

Mr. Clougherty responded that is true. At the time, as I said, we didn't have the knowledge of the situation that we have now and we were trying to just hold

something and recognize that we were going to have to address this at some point and that is why it is there.

Alderman Hirschmann asked, Kevin, if the School District continued on this trend that they are in would the Bond Council in fact treat us separately from the School. Would we keep a higher rating than them on the bond? Is that possible? Is the Bond Council considering them separate at all?

Mr. Clougherty answered no and it is really because this Board authorizes the bonds. They have no bonding authority. They have to come through you.

Alderman Hirschmann stated so they have a clearer delineation of how things are then the judges do right.

Mayor Baines stated the City has to protect the overall interest and that is what we have to make sure that we do. With whatever scenario unfolds we have to demonstrate that we are taking action to correct the problem and maintain our situation.

Alderman Hirschmann replied I agree with you and we have done that every year, your Honor.

Mayor Baines responded I know. We have been in the middle of this for a long time.

Alderman Thibault asked, Kevin, if we look at all of the school chargebacks that are still in question right now and if, in fact, the courts decide in the school's favor, where does that put us at that point if we have to pick up the chargebacks.

Mr. Clougherty answered the bottom line from the City's perspective is the City has done a good job of preserving items to the bottom line. What will be disturbing to the credit rating agencies and to investors is overspending your appropriation regardless of how much you have. That is a problem. That is a serious problem that is not going to go away regardless of how much money you have. As Alderman Wihby said, they should have come back and had it reappropriated. Not doing that is a problem.

Alderman Thibault asked if, in fact, they have and we know they have overspent their budget where does it put us at that point.

Mr. Clougherty answered the first thing that the rating agencies will look at is what you have in place as a plan for correcting overspending of appropriations in the future. That will be their number one issue. The second thing they will look at

bottom line City wide is is there enough money to cover this and because the City has done things on our side as we did last year reserving the \$1.4 million, we should be okay. I don't think it will have a bottom line impact. It just means that instead of having a bigger surplus the City will have a small surplus.

Alderman Thibault asked so we have tried to cover ourselves.

Mr. Clougherty answered right and them.

Alderman Cashin stated I appreciate the concern of this Board with the School budget but I would prefer that if we were going to discuss it that the School Board be here so they could defend their position.

Alderman Shea stated I guess my point is that when we do meet with the School Department we really probably have to have the answer to two questions if possible. Who ultimately decides what the deficit is and when is that decided? I think that those are very important because we can banter back and forth between the City and the School Department but if we don't have a definitive date as far as when a deficit is decided...well wouldn't you agree that that is really critical? We have to decide who and when before a resolution can be decided.

Mr. Clougherty replied what will happen is the rating agencies and I think anybody else is going to look at what the auditors say because they are independent and that is their rule. They will look at what are the rules at the time and do the calculation. If later on it is decided that there should be a change then it will be restated and we will go from there but it will be the auditors who determine what the deficit is and they have now done that.

Mayor Baines stated that is determined. We know that there is a deficit there.

Alderman Lopez stated for my own clarification let me say that to go to the \$850,000 which was a good demonstration and then have the courts decide that it is a deficit on the School side and they start putting it into their budget and paying that debt, does that release the \$850,000.

Mr. Clougherty replied it would depend on what the court rules, Alderman. The City will have to try and be flexible to help them because you are not going to be able to deal with this in one year and you are not going to be able to deal with this in the upcoming budget just because of the timing of the court case. It is in June and if there is a determination at the end of July you already have this budget.

Alderman Lopez stated let's just say for sake of argument that the court decides that the School has to pay for their deficit. Are you saying that we would still use the \$850,000?

Mr. Clougherty replied at some point I think the \$850,000 has to move over to their side but you would have to do something to show that that is going to be paid back. The state and the rating agencies I think are going to require that.

Alderman Levasseur asked what is to stop the School District from using the number that the Mayor has given them in this year's budget or for next year's budget to pay off any deficit. Do they have that right to do that?

Mr. Clougherty answered yes.

Alderman Levasseur asked so if they get the \$115 million and they only need \$110 million then they could use that money to pay us back.

Mr. Clougherty stated or as Alderman Wihby suggested to make the payment and the City wouldn't have to include this at all.

Alderman Levasseur stated so then we wouldn't have to include this \$850,000. I know you put aside \$1.4 million and are you saying that all of that was put toward the FY00 deficit, Mayor?

Mayor Baines replied the \$1.4 million was related to a benefits issue and yes.

Alderman Levasseur stated I guess it was resolved I just never was really told where we ended up putting the money for that.

Mayor Baines replied we ended up giving...it was \$800,000 or something because of the interest income issue.

Alderman Levasseur stated right. I remember it was the \$860,000 and I was just wondering what happened to the remainder of the balance.

Mr. Clougherty replied it is in our fund balance.

Alderman Clancy stated Kevin each year the School deficit seems to get higher and higher. When is it going to stop?

Mr. Clougherty replied that is exactly what the credit rating agencies and all of the investment people who are going to be looking to buy the bonds are going to say

because we can't guarantee them controls over there. That is the fundamental question.

Alderman Clancy stated when I first started it was \$500,000 and now it is up to \$3.895 million.

Mr. Clougherty responded that is exactly what people are going to be questioning and we are going to have to have some kind of an answer.

Alderman Clancy stated well somebody is going to have to do something.

Alderman Wihby stated it depends on when you look at it. If you look at it before the School Board gets it then it is a plus. If you look at it when an accountant gets it then it is a negative. We just change the minus to a plus and we get along fine.

Mr. Clougherty stated the next item is a salary health adjustment. I am going to have to defer to Howard on that because that is his number. While he is coming up here, I can take contingency. Under state law the City is allowed to have a contingency. It can be 1% of you general operations less debt service and School so we are well within that. \$200,000 is the number that has been there for awhile and we are not recommending that that change and that is what the Mayor is recommending.

Alderman Levasseur asked have we had \$100,000 in contingency in prior years.

Mr. Clougherty answered we have been running about \$200,000 the last couple of years.

Alderman Levasseur stated I was always under the assumption that we had \$100,000.

Mr. Clougherty replied no it has always been a couple of hundred thousand.

Mr. Tawney stated the salary adjustment account listed is \$630,000. On May 15 I sent out to all of the Aldermen a listing on the severance pay and that is the number that we have in there. It was decided that we would set aside severance instead of putting it into the department's budget, hold it aside and if there was excess then take it back to the City. I provided a listing in the department's budget last year or I should say this fiscal year. We had \$390,000. As we went out at the start of the budget process, the departments had requested \$908,000 and change. As I looked at that number and started asking the question well how much have you spent to date in March several of them had not spent half of their money. So, I looked at it and talked with each of the departments about the people who would

possibly retire because this is not something that we have a definite number of people who have previously said I am retiring but this is talking with the staff and having some people say well I am thinking about it. I took all of the numbers together and looked at what it was in FY01 and decided that \$630,000 would be a number that we could live with.

Alderman Wihby asked what is the year-to-date number.

Mr. Tawney answered that was hard to determine at the time because it is rolled into each individual department's budget.

Alderman Wihby asked when we did their budget was there a line item that said severance for each department.

Mr. Tawney answered no.

Alderman Wihby asked so where was the severance in each of the departments.

Mr. Tawney answered it was in the salary line.

Alderman Wihby stated so when they did their salaries you are going to tell me that they figured in severance when they did their salaries or they just had to make up for that amount of money.

Mr. Tawney replied we did a spreadsheet for the Aldermen indicating what the salary adjustment, the Tony LaPoore amendment, each of the items were and severance was one of those line items. It had the longevity steps. It was three or four pages.

Alderman Wihby asked where was that money carried in each individual department.

Mr. Tawney answered yes in the salary line item.

Alderman Wihby asked so you gave us numbers where all of those things where and how much that added up for each individual department.

Mr. Tawney answered yes we did.

Alderman Wihby asked and it added up to \$390,000 for FY01.

Mr. Tawney answered that is correct.

Alderman Wihby asked what happens if we didn't give this money at all, the \$630,000 and made them pay for it within their budget.

Mr. Tawney answered that could be a significant amount of money for...

Alderman Wihby interjected is this just for the person leaving or is this to fill the position. If you have a person leaving and you don't fill the position for a while you are saving money on the position even though you are paying the retirement.

Mr. Tawney replied that is right but the small departments have never had enough money to cover it and the departments have come back to us. The large departments, when they have five or six people who retire or more it is a significant amount of money because the retirees usually have a build up of sick leave and vacation and when they retire we cut them a check for \$10,000, \$15,000, \$20,000 or more. This is to cover those large outlays during the year.

Alderman Wihby asked do you know how many retirees we had this year that went into that \$390,000.

Mr. Tawney answered I can provide you that number.

Alderman Wihby asked do you know how many retire on average in a year.

Mr. Tawney answered no I don't.

Alderman Cashin stated I am reading the Fire Department's budget for FY01 was \$100,000 and now we are giving them \$125,000. Police was \$175,000 in FY01 and now we are giving them \$300,000. What is the increase for?

Mr. Tawney replied they anticipated a large number of their staff were going to be reaching the 20-year and out. Under the State Retirement System, it allows them to do that and they were anticipating a larger number of people to do that this coming year.

Alderman Cashin asked so it is based on turnover.

Mr. Tawney answered that is correct.

Alderman Cashin stated that seems like an awful lot of money.

Mr. Clougherty stated I wasn't involved in a lot of these meetings but my recollection is there was something going on with the State legislation that might

somehow affect some of these people and, therefore, that might cause the additional amount of money.

Alderman Vaillancourt asked did I hear you say that when somebody leaves they have a built up amount of sick time and vacation time. Can you tell us what the maximum allowed under the City is?

Mr. Tawney answered 960 hours of sick time and I there is a maximum limit of one and a half times whatever your vacation maximum is. If you are at two weeks vacation then you could take three weeks when you left.

Alderman Vaillancourt asked so the 960 hours of sick time you have to divide by 40 to get the number of weeks. So that would be 24 weeks. When somebody leaves, we pay them for being sick for half a year?

Mr. Tawney answered for now using their sick time.

Alderman Vaillancourt asked is this standard policy in the dreaded private sector.

Mr. Tawney answered it would be depending on your individual company whether you would get that or not. It is a long-standing policy in the City.

Alderman Vaillancourt stated well this allows me to say what I wanted to say last night and I have wanted to say for several nights regarding this budget. It seems this Board's hands are pretty much tied because of the substantial pay raises that have been built into contracts because of the Yarger Decker study and I also understand that we are coming to renegotiate items with the various unions and since our Chief Negotiator is here I think we have to begin to take a look, if we are doing the budget, at determining some parameters for saying next year we have been so good to the employees that it is time to take a tough line when it comes to negotiating some of these benefits and I think this is a benefit that could fall into that category. There is nothing we can do about it now but it is worth pointing out as we fall upon some of these cracks here to look at.

Alderman Wihby asked, Howard, who is retiring in your department.

Mr. Tawney answered I anticipate that I have two people who will be reaching an age where they could retire and they have given me some indication that they will, in all probability, will do that.

Alderman Wihby asked what about in Finance.

Mr. Tawney answered they had indicated that they had three senior people who were eligible to retire and in all probability might retire. I took some of that with a grain of salt and you can see that I adjusted the numbers. One of the people I felt surely would retire and, therefore, that is the reason I put the number that I did.

Mr. Clougherty stated the next item is the transit subsidy, which is going to be discussed in a little bit but it is reflected here. Employee medical service I will let Howard talk about.

Mr. Tawney stated on the employee medical, this is for our physicals and our drug testing and that is all rolled into this number. We are presently negotiating with the Fire Department to increase drug testing among the firefighters and that is where the number comes from.

Alderman Wihby stated I am looking at the salary/health adjustment. Is that all severance?

Mr. Tawney replied yes that is all severance. That is an old title that just has not been changed.

Alderman Clancy asked if an employee has a physical and they fail it what do you do.

Mr. Tawney answered I would probably be discussing it with the Fire Chief...

Alderman Clancy interjected I didn't say the Fire Department. Any department.

Mr. Tawney stated if it is a pre-employment physical and they fail it...

Alderman Clancy interjected say the person has been working here for eight to ten years and they go for a physical and they fail it. What do you do? What do the people in Human Resources do?

Mr. Tawney responded I would probably send them to their own physician and request a medical certificate that they were able to perform the duties assigned. If I got that then I would be looking at that very closely to determine whether or not the employee truly was able to perform the duties and I might ask for an independent medical exam to make that determination.

Alderman Clancy asked do you give them any time.

Mr. Tawney answered there is no time limit on that type of thing.

Alderman Clancy asked in other words say a person goes and they find out that he has high cholesterol or high blood pressure and the person is not responding to the medication. What do you do in a case like that or if the person is way overweight?

Mr. Tawney answered on our criteria in each of the job descriptions there is the physical requirements of the position and the employee needs to be able to perform the requirements of the position. That is the governing criteria.

Mr. Clougherty stated the next item is the Safety Review Board budget, which is the amount that is available for the Safety Review Board to provide incentives and carry out their duties. The next item is the health insurance audit. We have that under contract. It is being conducted. The fee that was negotiated is 34% so if they were to collect...they have in the past been looking at about a 2% or 3% recovery rate and we have had \$10 million worth of claims to look at so that translates to about anywhere from \$300,000 to \$900,000 that we may get back in the next fiscal year. Of that, our share would be between \$200,000 and \$600,000 and we expect that would be probably towards the end of the first quarter of the fiscal year. At the same time we want to make sure that there is an allowance if it is more than that that is available so it is included. The next group is on the next tab, 27.

Alderman Hirschmann asked is that going to be carried as unrecognized revenue.

Mr. Clougherty answered in next year's budget there is a \$2 million expense.

Alderman Hirschmann asked so between the \$2 million and the \$6 million where does that show up. Is it just unrecognized?

Mr. Clougherty answered correct. It is just unrecognized revenues. The next page has a number for what are called non-city programs like Adopt-A-Block, civic contributions and patriotic purposes. I think for the most part what has happened there is they tried to carry forward amounts from the previous years. The only one I draw to your attention is the civic contributions number. You can see that that is off. The prior year was \$68,500 for this year it is \$27,500. You will see that most of what is carried forward is the number from the previous year. That civic contribution number is off \$40,000. That is the animal shelter adjustment that the City Clerk has talked about.

Alderman Wihby asked we are going to have to add \$41,000.

Mr. Clougherty answered yes.

Alderman Shea stated Kevin could you go back over the health audit again so that it could be better understood. Could you do that please? In other words an audit was conducted concerning Health.

Mr. Clougherty stated what we have done, Alderman, is we have contracted with a company to go back and review all of the claims that the City has paid and the way that these audits work and the way that the auditor is compensated is he gets a percent of what they find and that is an incentive for them to go in and check all of these items. Traditionally, for the last couple of years they have gotten a 2% or 3% return or finding of errors in the claims that they look at. If they are to hold that forward and that affects Manchester's claims...we had about \$10 million so that translates to about somewhere between \$300,000 and \$900,000 that we may see as a revenue as a result of that but we are going to have to pay some of that to the auditor so our net will be somewhere between 2% and 5%.

Alderman Shea stated now we set aside \$2 million in terms of that health audit is that what you are saying.

Mr. Clougherty answered right. We put aside \$2 million on the expense side and \$2 million on the revenue side because we weren't sure how it was going to work.

Alderman Vaillancourt stated I will probably regret ever asking this question but civic contributions, do you have a list of what they are.

Mr. Clougherty answered yes I believe we do, Alderman.

Alderman Vaillancourt asked could you get me a sample of what they might be.

Mr. Clougherty answered sure we can get you a history of what those are.

Alderman Vaillancourt asked can you give me one or two right now.

Ms. Descoteaux stated \$40,000 was for the animal shelter and...

Alderman Levasseur asked didn't we also give some money to Riverfest.

Mr. Clougherty answered Riverfest was out of contingency I believe and was also set up as part of a resolution. We took some money and set it as a balance sheet account so it is not an appropriated item.

Alderman Vaillancourt asked so it would be things of the ilk of the Riverfest.

Mr. Clougherty answered it could be things, Alderman...civic contributions normally are the Junior Deb softball league, the Little League and all of these groups that come in and ask you to help with school trips or if we have a Legion team that wins.

Alderman Shea stated years ago we had a graffiti committee and I guess we got \$10,000. That is still around isn't it? Do you put that in a special fund or something like that? How does that work when you don't use it?

Mr. Clougherty answered if it is not all used it goes back into the general fund as part of fund balance. I think it is underneath the civic contributions list as well but I can give you the detail on that.

Ms. Descoteaux stated so far this year we have paid \$1,000 to the Manchester Fire Memorial Fund. We paid the Rita Roy Memorial Fund \$2,500. We have given Riverfest some money, \$15,000.

Alderman Vaillancourt stated there are two separate lines for civic contributions. 0935 and 0171.

Mr. Clougherty replied 0717 is the total.

Ms. Descoteaux stated there is a civic contribution where the Mayor puts money aside and people come to request additional money which is not part of the other civic contributions like the Adopt-A-Block and the Mayor's Conference and the independence celebration and the Christmas decorations and the Senior Luncheon.

Alderman Lopez asked League of City dues, what is that.

Mr. Clougherty answered there is a National League of Cities. It is a lobbying group in Washington that represents municipal interests and all of the cities around the country pay dues so that they can go in and represent our interests in Congress. The Alderman over here just mentioned a newsletter that comes around, a newspaper that you may have seen that offers conferences and does research for us.

Alderman Hirschmann asked how many years have we subscribed to the League of Cities.

Mayor Baines stated it is a national lobbying group. They look after the interest of all of the municipalities and issues. They have lobbied Congress.

Alderman Hirschmann replied I know who they are. I just wanted to know how long we have been involved with them.

Mr. Clougherty responded since I have been here. The next item is tab 28. It is under the heading of non-City programs. These are programs that started out in the CIP and eventually were picked up by the City because the City felt a commitment to these programs. I believe the commitment that the Mayor is recommending is essentially what we have seen in the past with the exception of Child Health Services and I will let him speak to that. Southern NH Planning is the Southern NH Planning Commission, which does a lot of regional planning and helps the City. That is our contribution to that Southern NH Planning group. That is Moni Sharma's group that does regional highway planning and stuff.

Alderman Vaillancourt asked is it so much per person in each town.

Alderman Thibault answered I am not sure how it is broken down but I know that each town or each City pays their proportionate share. We had a meeting today in fact.

Mr. Clougherty stated the next item is tab 29 and that is the budget for the Conservation Commission.

Mayor Baines replied that is part of the agreement with the CSO, right.

Mr. Clougherty responded yes. Tab 30 is just a reflection of the Community Improvement Program that is being adopted. That would conclude non-department programs.

Alderman O'Neil asked how can CIP administration be \$2.5 million.

Mr. Clougherty answered that is not the administration. I am sure they wish it was but that is the City Cash portion that has to come from the City Cash Resolution to go over and carry out the CIP portion of the budget.

Human Resources

Mr. Howard Tawney stated I would like to introduce my staff, Jackie Curtis who is an Administrative Services Manager and Red Robidas who is our Security Manager and in the back we have Gabriella Walder who is a Human Resource Analyst, Maureen McCarthy-Slagle who is our ADA and Training Coordinator, David Hodgen of course you know and Jennifer Desrosiers who is our Payroll Coordinator. I would like to continue now and I will try to keep it brief. As you can see from our mission statement, Human Resources was adopted as a full

service organization in 1997. The functions were drawn from many of the departments and consolidated into one entity doing the traditional Human Resource work plus processing payroll. Functions for the Americans with Disabilities Act and Security Management were added a short time later. Our goals and objectives are quite evident and I have provided them to you. These are the functions or the five areas, which we work in – administration, compensation and benefits, employee relations, training and the Americans with Disabilities Act and security. Here is our organization chart. We service 1,273 employees. Usually the HR function is about 1-100 on an average. We are a little different than many HR organizations in that we also handle the payroll of some 1,863 people during the year. These are our FTE's and this year's budget is pretty much level. We have taken on some additional responsibilities for the security contract and I will address that later. Some of the services that we have been providing and want to continue are a training partnership with UNH for our managers and supervisors, which has been very successful. This year we are looking to start a customer service training as a new program and we do provide the payroll and benefit training and HTE training in the Human Resource area, which is ongoing. In contract manpower we are transferring the funds for security from the City Clerk and Library to the Security Manager. Special projects. This year we have 10 new contracts that will be coming up for renegotiation in June. They expire June 30, 2002. We will need to sit down and discuss our strategy here in the near future. A new program that has been ongoing is the employee wellness program and that has expanded into the labor-intensive departments. Our testing account includes that for Police and Fire. Currently our security contract is with Pinkerton. They came in and asked us for a \$3.50/hour increase along with \$300 additional dollars a week for management of the contract. When we refused they cancelled the contract and we have gone out for bid on this. If we look at the Pinkerton model, they were the low bidder the last time. It will come in just about \$100,000 there. We have put in the contract under the Mayor's proposal \$75,000 to \$91,000. I would offer an alternative for your consideration and that is that for the same price that we have in the Mayor's budget we can hire four part-timers at 25 hours a week for a total of 2.5 FTE's. They will have prorated benefits, no health, no dental, no retirement. We can provide them with uniforms, training and provide the service for the amount budgeted. That is an alternative to increased costs.

Alderman Vaillancourt asked for the \$75,000.

Mr. Tawney answered yes.

Alderman O'Neil asked who would they be employed by.

Mr. Tawney answered they would be City employees.

Alderman O'Neil stated I noticed back on an earlier slide there was a transfer of security funds from City Clerk and Library to the Security Manager. Mayor is that something you recommended. I don't remember it being a vote of the Board or anything.

Mr. Tawney replied the City Solicitor recommended that. We have the responsibility for it. We have the Security Manager. We did the contract and we executed the contract. The City Solicitor has indicated that the funds should be under our organization also.

Alderman O'Neil asked should that have been something that should have been brought before the Board.

Mr. Tawney answered it is here. That is why we are here.

Alderman O'Neil replied you said you have already gone out to bid.

Mr. Tawney stated we did the first time too. Human Resources had the responsibility when we first created the position and we went out and advertised and bid and hired Pinkerton at that time. We were charged with that responsibility.

Alderman O'Neil asked it didn't fall under the City Clerk and the Library at all.

Mr. Tawney answered no.

Alderman O'Neil asked the responsibility of security of this building and the Library didn't fall under those departments.

Mr. Tawney answered no. It fell under the Security Manager for the day-to-day issues. They provided guidance to the staff but the overall responsibility fell to the Security Manager by the Board's direction.

Alderman Thibault asked, Howard, would these employees, if we went that route, would they be unionized employees.

Mr. Tawney answered no.

Alderman Thibault asked where would they fall.

Mr. Tawney answered both the City Hall and the Library are non-affiliated organizations and I would not anticipate that these people would be sought by a bargaining unit.

Alderman Thibault asked can you tell me what kind of pay scale these people would be on.

Mr. Tawney answered we were looking at a Grade 12 at about \$11.60 an hour to start. I think we can recruit for that price.

Alderman Clancy asked why don't we have our own security instead of going out and getting Pinkerton.

Mr. Robidas answered that is what we are proposing. These would be four part-time positions. They would be City employees versus the contract employees. They would only receive protracted benefits. They are not entitled to medical or retirement. They are entitled to some vacation time and sick leave time and educational incentives. We are proposing, based upon the current hours...the current hours break down to an average of 99 hours per week for both facilities. We use about 5,000 hours per year under both locations. Utilizing both locations and utilizing the new 3.3% salary scale of Grade 12 at \$11.60 beginning July 1 and incorporating the additional 3% increase that they would be entitled to under Yarger Decker, we could do the entire package employing all four people for the \$75,000 that was incorporated in the Mayor's budget. Without that, we believe we are going to be short and that is based upon the figures that Pinkerton provided us and people that we received bids from in the past as well. So we have a rough idea of what those ballpark figures would be. We are actually estimating between \$92,000 and \$100,000 to perform a contract from a private contractor, which is why we are offering an alternative proposal of four part-time City employees. We can do it for the \$75,000, which includes the training, communication equipment, uniforms, etc. and the benefit package.

Alderman Clancy asked are these guys going to be full-time or part-time.

Mr. Robidas answered part-time. We are estimating approximately 25 hours per week per employee.

Alderman Lopez stated you are saying it is going to cost \$75,000 to do it your way versus Pinkerton. Is that correct?

Mr. Robidas replied that is correct and that is based upon figures that Pinkerton sent us in March of what the new rates would be to continue conducting business with them.

Alderman Lopez asked do you have a breakdown of the calculation of prorated benefits on the four employees because they are entitled to benefits.

Mr. Robidas answered yes we do. We have a sheet broken down that we can distribute to you.

Alderman Lopez asked do you foresee making these part-time employees full-time in security.

Mr. Robidas answered no we do not. We do not have enough hours to do it and we also calculated what it would cost us for full-time and what that benefit package would be as well and that would exceed the \$75,000. It was calculated both ways. Based on the number of hours, we don't see those hours really increasing drastically that would justify or warrant full-time positions.

Alderman Lopez stated just for the sake of argument you would advertise for part-time security people.

Mr. Robidas answered yes we would.

Alderman Lopez asked and they would be screened by the Police and everybody else.

Mr. Robidas answered yes. We would require a criminal background check most probably from the State of NH because they have the most concise records on file. The Manchester Police Department record check would only provide us with information from the City of Manchester whereas the State Police record check would provide us with any criminal record that would appear anywhere in the State of NH.

Mr. Tawney stated this year we had \$15,000 funding for testing revenue. We were originally told that we could draw on this money as the revenue came in to pay for the testing as it went along. Later that changed and we had been having to take it out of hide. As part of the budget for this year, we had \$15,000 put in there but that number was not picked up and we need that in order to conduct the testing that we have for Police, Fire and the clerical as we go along. I requested an additional \$15,000 for testing. The present list for the Fire Department will not be sufficient for us to recruit for the new station when it goes on line and we will need those people and will have to go through that recruiting in this fiscal year or towards the end of the fiscal year in order to have those people trained and ready when the station opened. The City contributory retirement. We originally went through and looked at the contributory retirement and after discussions with them

they never have the final numbers ready for us by the time the budget process started. We went to them and said what do you estimate. They gave me a figure. I doubled it and that is how I came out with the \$500,000 as our number for this year. Unfortunately, the stock market took a dive and they did not get the return on investment that they anticipated so we will be required to make up some of that money and that is the reason that our number is going up. Originally, this year it was \$552,981. Part of that money was a make-up for FY00 - \$100,000+ and that was the reason we thought we could get by with \$500,000. Unfortunately, that is not the case and we will need \$595,582 and that is the reason for the increase in the contributory retirement system bottom line.

Alderman Wihby asked what line item is that. Is that in each individual department or is there a line item?

Mr. Tawney answered there is a single line item in Human Resources for that. That line item is 0228.

Alderman Wihby asked so all of the money is in there for the...

Mr. Tawney interjected for the entire City. We tried to get them to divvy that up last year as you may remember but their actuary was going to charge us an additional \$50,000 to break it down by department and it was decided that we did not want to spend the money so we left it in HR. The Wellness Program I requested a \$15,000 increase. The general fund budget for health care this year is \$6,913,000 and that is really only a portion of the cost that we are actually paying. The overall budget comes up to something like \$22 million of which the health care claims is about \$17,251,000. We have been talking about changing providers because one was going to give us a better number than the others. The difference between these two providers is on the administration fee and is a 2% to 3% difference. When we talked about health care claims, almost 90% of our bill that we pay for health care is claims. We need to address the claims issue and be able to hold down claims so that we can hold down the cost of our health care. It is probably the second largest item that we fund on the budget after salary. This year we had a small pilot project with the Parks, Recreation & Cemetery Department in conjunction with the Safety Committee. We offered a small incentive for the employees to participate – two free movie tickets – and explained the program. Everybody was concerned about confidentiality and everything like that. After discussion with the employees and the unions, everybody became very comfortable with what we were doing. We had 80% participation out of the Parks & Recreation Department. We did an employee interest survey and a health risk assessment appraisal of each of the employees that wanted to participate. We also did a blood pressure and cholesterol screening. From that information we found that 68% of the employees that participated had high blood pressure. 55% of

those who participated had high cholesterol. These high readings are pre-cursors for severe health problems in the future. We referred the employees to their personal physicians and many of them are making significant life style changes to overcome these problems. I have a representative, Edwin Elwitz from the Parks Department who is going to be able to answer questions after we do the presentation about the program, but we are doing the screenings, training employees on stress management, conflict resolution, healthy eating habits, men's health, and a number of different types of programs that we have brought in. Speakers from Elliot Hospital and others to help. It is interesting that Concord has just started up their own health wellness program offering \$50 to the employees to participate and \$200 a year thereafter for those who participate in the program. I think we can do it for less and have just as effective a program. We hope to increase wellness and decrease claims from the program. We would recommend expanding the pilot program citywide and phase it in. The next area would be City Hall and to work with the various groups. We would contract out for the implementation but after the implementation phase we would manage the program with in-house FTE's. One of the recommendations I would make to you would be to allow employees to use the tuition assistance program for themselves and their spouses to attend local wellness courses. If they go they learn and they change their lifestyle it will be better for the City. We will have to discuss this with the unions to make sure that everybody agrees and is on board but I do think that it would be better for everybody concerned. Also, I would ask you to allow the retirees to attend these in-house wellness programs and to participate in the self-care and screening programs that we would institute. The self-care program is something that I have used before and has been very successful. It provides the employees with a publication that is very useful, provides a lot of scenarios that if you are running a fever or your child is and stuff like that but also provides a training to the employees and their spouses on how to use the information. We have 1,200 emergency room visits a year. A 5% reduction could save us as much as \$45,000. We should also see a reduction in employee visits to doctors. In the area of revenue, after discussions with the Board recently...

Alderman Levasseur stated the wellness program sounds like a good preventive maintenance program, but didn't we start at a position of Safety Coordinator. Wouldn't that be proper in that person's hands?

Mr. Tawney replied I really don't think that he would have the background and experience to go into wellness.

Alderman Levasseur responded I know it is the Safety Coordinator's position but I know he is going around and teaching people to make sure that they are safe and that they lift things properly. Isn't there some way to get out a message to the other employees or are you guys taking care of that?

Mr. Tawney stated we have been trying to do that in-house and with providing the courses through our training program and working with each individual department's safety committee...

Alderman Levasseur interjected how much did the actual first pilot program cost.

Mr. Tawney stated I believe it was \$10,000.

Alderman Levasseur asked and that was just for Parks and Recreation. How much do you anticipate it is going to cost if you went citywide?

Mr. Tawney answered I want to bid the whole program and I would anticipate that it would be about \$50,000.

Alderman Levasseur asked so this \$15,000 that you are asking for would take care of another pilot program or is this going to be a couple of departments.

Mr. Tawney answered my budget was cut by \$25,000 and I had to take \$15,000 out of my budget in order to meet that. This would restore that money and allow me to go forward with the program.

Alderman Levasseur asked where were you going to go with it. To different departments?

Mr. Tawney answered I intend to start with City Hall in the summer and then move in the fall to Highway and Traffic and over to Water Works and then in the following spring on to Police and Fire.

Alderman Levasseur stated you also said that 68% of them had high blood pressure in Parks & Recreation and you told them to go to their personal physicians. Their personal physicians are the ones that they have through the health insurance right?

Mr. Tawney answered yes but when you find things like that, that is when a person needs to see their doctor. That is a personal issue between the individual and his or her physician.

Alderman Levasseur asked as far as the records and such, that is all confidential stuff.

Mr. Tawney answered that is correct.

Alderman Thibault stated a typical City employee and his or her dependent that goes to an emergency room right now, is there any kind of a co-pay or do they have to pay anything.

Mr. Tawney replied yes, \$35 but it normally costs us a minimum of \$7.50. I had originally pegged this number at about \$15,000 and looking at it on our chargebacks I have raised the number to \$28,000.

Alderman Wihby stated you heard Parks & Recreation saying that they were going to transfer \$25,000.

Mr. Tawney replied if they want to give me that much money, I will take it in a second.

Alderman Wihby asked is that on top of the \$28,000.

Mr. Tawney answered no. We only get about \$2,000 from them.

Alderman Wihby asked aren't they the ones that said there was some line item or something that went to you at the last meeting.

Mr. Tawney answered they did say that but I looked at the numbers today and we only got about \$2,000 from them.

Alderman Wihby asked where did the other \$23,000 go.

Mr. Tawney answered that is something that I don't have any information on. Looking at the overall budget recommendation from the Mayor of \$2,042,417 and adding in the other item of security testing, contributory retirement and wellness, I look for the final budget number to be \$2,391,414.

Alderman Wihby stated you requested \$663,000 in payroll and the Mayor gave you \$640,000 so that is just \$23,000 less than you had requested. Is that because of the position?

Mr. Tawney replied that is correct.

Alderman Wihby stated so there is only \$23,000 less.

Mr. Tawney replied I believe it was \$25,000 less.

Alderman Wihby asked so if you were given \$25,000 more you could add another position to your department or you could pay for a Human Resource Director.

Mr. Tawney answered that is correct.

Alderman Wihby stated but you would still need \$25,000 otherwise you couldn't do this.

Mr. Tawney replied that is correct.

Alderman Levasseur asked was the money put in for another director.

Mr. Tawney answered no.

Alderman Levasseur asked but aren't we taking applications for the position of Human Resource Director.

Mayor Baines answered yes we have. We have taken applications and we have had interviews and we may be coming to the Board.

Alderman Levasseur asked but you didn't fund it.

Mayor Baines answered that is correct.

Alderman Wihby stated the total request...I imagine the request would have funded to pay the last director and if you gave them \$640,000, they are only short \$23,000.

Mayor Baines replied I would like to verify that. I can't recall the specific discussion related to that within their department and if there were any other factors, but we will verify that number.

Alderman Hirschmann stated maybe a Deputy wants to do it for the same rate.

Alderman Levasseur stated I think where I was going with this Howard was we spent the...I think the salary is around \$40,000 for a safety inspector or safety coordinator and that is supposed to pay back some pretty good dividends over the next three or four years and this wellness program seems like it would pay back...I mean in the long run would pay back serious money. There is no way that you could find money in your budget to be able to keep this program going or are you going to...

Mr. Tawney replied I plan to keep it going. Give me \$15,000 and it will go.

Alderman Levasseur stated well you just said you are planning on keeping it going but you don't have the money anywhere in this budget.

Mr. Tawney replied the budget has been severely trimmed. It was cut to FY01 numbers and then beyond below that. I need the \$15,000 for testing. The wellness, contributory retirement system I have given you an alternative for the security program. Of those three items, I don't see a way....

Alderman Levasseur interjected I would say that this Aldermanic Board after putting together the money for a Safety Coordinator would probably be able to see somewhere along the line to keep this wellness program going on because just by the numbers you have given us from the Parks & Recreation Department I think it is something that preventive maintenance obviously over the long run is going to be a big savings to this whole organization and if we keep looking at the rates that we are seeing going up and health insurance is absolutely ridiculous and keeps going the way it is I think that we should find it amongst ourselves to find the money to keep the wellness program alive.

Alderman Wihby asked Howard can you just give me a list that you had used for your \$663,000 total, which would have been all of the payroll that you had when you were doing the budget. I want the names and the totals. The second thing is that on the health insurance line item it has gone up \$200,000. Is that the reserve that has gone up \$200,000?

Mr. Tawney answered that is correct. I had split it up as I had in the past.

Alderman Wihby asked is that the \$205,000 number or whatever.

Mr. Tawney answered right. \$665,000 is the total number and in there I have \$547,000. The remaining amount is out in the departments.

Alderman Wihby asked but in some discussion that we had about insurance didn't we decide that we really didn't need that \$200,000+ in their budget.

Mr. Tawney answered well one of the items that you had asked for was the reserve and I...

Alderman Wihby interjected I have some sort of notes that say cut \$205,000 from the Human Resource budget because they don't need the health insurance.

Mr. Tawney stated that was money that was part of the \$500,000. That \$205,000 was...

Alderman Wihby interjected part of the \$509,000.

Mr. Tawney answered yes. The question was also asked regarding what number did we need for a reserve for this year. I have consulted with Mercer and they have come back and I thought I had a hand out for you this evening that indicated that the amount needed for the reserve for the City is \$1,546,000.

Alderman Wihby asked what did you put in. What is in the FY02 budget now?

Mr. Tawney answered we had...Kevin Clougherty had gone through and done some work up on that. He had \$246,000 I think left over from the previous year of 2000. In FY01 we were looking at \$400,000 and then the \$665,000 was going to get us up near \$1.2 million. We would still have to...we could set aside more or we could wait one more year to come up and fully fund the amount of \$1.546 million.

Alderman Wihby asked so you have roughly \$650,000 now and you need \$1.546 million. Does that sound right?

Mr. Tawney answered right.

Alderman Wihby asked so if we decided to fund the \$1.5 million over two more years we could fund that \$450,000 for two years.

Mr. Tawney answered you could I guess divide it any way you want. You could front load it or back load it, however, if you back load it or make it even you always have the danger that you won't have enough when the crunch comes. If you front load it a little bit more and go with the \$665,000 you buy yourself some insurance in the longer term.

Alderman Wihby stated so right now you are telling me we have \$646,000 set aside. Is that the number?

Mr. Tawney answered I would defer to Kevin for the exact number.

Mr. Clougherty stated the number that we had was \$460,000, which was part of the Mayor's recommendation to get to a fiscal year end estimate of FY02 of \$1.2 million. So you have increased that \$200,000 to get to that \$1.5 million.

Alderman Wihby asked well what is this \$246,000 left over in FY01 and FY02 and then \$400,000 plus.

Mr. Clougherty asked are you looking at this sheet that we passed out at an earlier meeting.

Alderman Vaillancourt stated I am looking at your organizational chart. I assume that you fill the slot of Administrative Services Manager I. Would that be your position, Howard?

Mr. Tawney replied no. I am the Acting Director right now. Jackie Curtis right here is my Administrative Services Manager I.

Alderman Vaillancourt asked before the departure of Mr. Hobson, what were you filling on that chart.

Mr. Tawney answered I was the Deputy Director of Human Resources.

Alderman Vaillancourt asked and that is now no longer on that chart. Oh, I see it. So you have moved from Deputy Human Resources Director up two slots to the Human Resources Director. Apparently, according to this chart the Human Resources Director...there is another position between that and Deputy Human Resource Director.

Mr. Tawney answered no.

Alderman Vaillancourt asked so you have been filling this position of Acting Director for how long now.

Mr. Tawney answered since the end of March.

Alderman Vaillancourt stated I do notice in a chart that was sent out I think by your department to all members of the Human Resources Committee that the salary for the Human Resources Director was about \$75,000. That wouldn't be including benefits right?

Mr. Tawney replied right.

Alderman Vaillancourt stated so it would be fair to say that if that position were to go unfilled we would save approximately \$100,000 for the City.

Mr. Tawney replied I don't know that you would save \$100,000.

Alderman Vaillancourt responded well let's say \$80,000.

Mr. Tawney replied yes I would think so.

Alderman Vaillancourt stated now in the last two months that you have been doing this have you been overwhelmed to the point where your blood pressure has been going up. Have you been able to cope for the past two months handling the department, getting the budget ready and coming before this Board? Has your department been able to cope with one fewer staff member; the head of the department being that staff member?

Mr. Tawney responded it has been a very stressful time for all of my staff. We have been down more than one person and it has been very trying. People have been working weekends continually just to get everything to meet your needs.

Mayor Baines stated I also want to say that a lot of this effort was leading up to the budget process and Mr. Hobson was still on board at that time.

Alderman Vaillancourt asked so you have been down more than one person so if you had been down only the one person it would have been a lot easier for you to get through this.

Mr. Tawney answered there are levels of pain that is for sure.

Alderman Vaillancourt stated I am just trying to get to the bottom line point of exactly how much layering we need of administration, not only in your department but in every department in the City. I am just trying to see if we have learned the lesson that government can indeed function with \$100,000 less being spent in a department of 14 people. Have we learned that lesson?

Alderman Wihby stated I have the sheet that I was referring to. We talked to worker's compensation about what their reserve was and we had a total from Harry but in that total he included Enterprise funds and School so we shouldn't be responsible to have a reserve for worker's compensation for the Enterprise funds or for School. It goes the same way for the health insurance. If we have a reserve, that \$1.5 million that he is talking about is for the entire City so we shouldn't be responsible for the entire City's reserve. It should be for the Enterprise funds and for School. That is the number I need.

Mr. Tawney replied the School Department has no reserve.

Alderman Wihby asked how about the Enterprise. That \$1.5 million that he says we should have in reserve, some of that is for School.

Mr. Tawney answered yes.

Alderman Wihby stated to reach the \$1.5 million that you need, you are using School numbers and Enterprise numbers. What you are doing is an actuarial report that says you need that reserve.

Mr. Tawney replied that is correct.

Alderman Wihby stated so that amount, that \$1.5 million should not be funded from general fund. It should be funded...the Enterprise fund should fund their own reserve as the School should fund their own reserve. I need to know out of the \$1.5 million what is the general fund portion of that. Who do you use for an actuary?

Mr. Tawney replied William Mercer & Company. I don't know...I will have to discuss it with them but if we could put a surcharge if you will on those Enterprise funds or something like that but...

Alderman Wihby interjected isn't the number that you need for reserve to pay for claims.

Mr. Tawney replied that is right.

Alderman Wihby asked and aren't the claims from School and Enterprise funds also.

Mr. Tawney answered they are.

Alderman Wihby stated so all you need to know is how much your claims for School and Enterprise funds, what percentage that is compared to the \$1.5 million that you need for a reserve. It is very simple. They could figure that out. We did it on worker's compensation and we are waiting for the numbers.

Mayor Baines asked could you look into that Howard.

Alderman Wihby stated it also goes to the general liability. Is that reserve for general liability for everybody too?

Mr. Tawney replied I have no idea. You would have to talk to Harry about that.

Alderman Clancy asked can you explain the \$15,000 for testing.

Mr. Tawney answered testing is a subject that there have been a lot of court cases on regarding the propriety of the test and their relationship to the particular job. The background for doing a proper test and having the test...well there have been

a lot of court cases over testing so in order to avoid those problems we buy our tests and administer them to the candidates and that is the reason we need the money. We do get revenue from the perspective candidates but I need the expense money in order to offset the revenue so that I can actually purchase the test.

Alderman Clancy stated that is what I was getting at because I know you charge Police and Fire to take an exam. My contention is if you charge everybody then we can have that \$15,000 and put that into wellness.

Mr. Tawney stated I have the money in revenue but I need the money in order to purchase the test and I have to have that in my expense line to do that.

Mayor Baines stated so the revenue is to offset it.

Mr. Tawney replied that is correct.

Alderman Levasseur stated going back to Alderman Wihby's point it is funny now this is our second budget with this and it is only the second year that the School District is separate from the City side but we keep finding more and more things. This is ridiculous. We are putting away all of this money for claims for worker's compensation and they are not putting away any of their own money and I don't understand why the Enterprise is...we don't pay the salaries...the Enterprises take care of themselves. They are self-sufficient. Again, that is another huge portion. It is probably going to end up being the City is only going to be responsible for 30% of that money if you took out the Enterprises and the School. I don't understand why this isn't being followed up on.

Mr. Clougherty stated I agree with him. I think that is the point we have been making with respect to this issue is you have to get from the actuary what is the amount that has to be set aside for each one of those so you can make sure that in the Resolution for EPD and in the Resolution for Airport there is an amount set aside for that purpose.

Alderman Levasseur stated I am assuming that prior to this School issue we have been putting aside a general fund for these claims before there was a School issue, in other words for the Enterprises for many, many years.

Mr. Clougherty replied right. It has always been done as one group and I think what we have been trying to do in the last couple of years is break that out.

Alderman Levasseur asked and get the percentage so that they would be responsible in their own budgets for their amounts.

Mr. Clougherty answered correct.

Mayor Baines stated I think the question is why haven't we been advised that that should be our course of action right.

Alderman Levasseur replied I think it is the way we have always done things and it is just generally accepted but now because of the School situation and we are trying to find what numbers are what and who is responsible for what...now have you at all, Kevin, when you have done chargebacks have you included this number or is this another new one.

Mr. Clougherty responded no that has been included for School.

Alderman Levasseur stated so part of the general fund issue for the claims has been included.

Mr. Clougherty replied that is part of the issue.

Alderman Levasseur asked and that is one of the things they are fighting with us for.

Mr. Clougherty answered right.

Alderman Wihby stated when Harry came to speak to us he told us that he needed a reserve of \$3.6 million and we asked him to go back and calculate those numbers for the different Enterprise funds and for School and I actually talked to the actuary and when I was talking to him I said you have given us an actuary for \$3.6 million but you are including everybody in it and he said well why wouldn't I and I said well because Enterprise funds and School are different entities and he say well no one told me that. We have been calculating it that way all of the time and no one ever told him that it should be broken out. I had some rough estimates and out of the \$3.6 million that Harry said he needed I guess the number is closer to \$2.8 million when you take out Enterprise and School. So, it does make a difference as far as the reserve goes and rightfully it should be accounted for by the departments or the Enterprises.

Mayor Baines stated my question is if that is part of the process why isn't that occurring. Is it just because that is the way we have always done it?

Alderman Wihby replied in this case the actuary didn't know.

Mr. Clougherty stated I believe that is the way it has always been asked of the actuary. What we are saying is as we do more into the GASB 34 and the more we have to do to break this stuff out, we want to have that defined.

Mayor Baines responded but my issue is the Enterprises have been around for a long time so why is this just surfacing now.

Mr. Clougherty replied because we have gone back and asked the question. I agree with you, Mayor. This is something that should have been done before. What may have to happen is we have to go back and maybe some of those dollars will be reallocated.

Alderman Shea asked, Howard, are you going to finish in the red or in the black.

Mr. Tawney answered I am going to try to finish in the black like we always should.

Alderman Shea asked how much.

Mr. Tawney answered I have some chargebacks that we are working out with CIP and the Enterprises and I hope to be in the black when I finish.

Alderman Shea asked do you have a ballpark figure.

Mr. Tawney answered I will be in the black. I don't know how much.

Alderman Levasseur stated well you must be saving some money from Mr. Hobson's departure.

Mr. Tawney replied right but I had a retirement also, which I was not anticipating due to illness and that was a large chunk of money that I did not have.

MTA

Alderman Vaillancourt stated I have the same question I had the last time you were before us and that is how much you would have to raise the rate if you were to get the amount that the Mayor had budgeted as opposed to the amount that you are requesting. In other words the rate right now is 90 cents per ride and hasn't been raised since 1991. It looks like the City's subsidy is \$1.47 per passenger ride so if the City were to stop funding you all together I guess you would have to raise your per ride rate to \$2.37. Is that correct? Have you done the math yet? Remember the last time you were before us I had a little mathematical formula for you to work out – the number of people who ride versus the number you requested

over and above what the Mayor had budgeted for you and the mathematical formula that would find out if you were to get the amount that the Mayor had budgeted as opposed to the amount that you had requested how much you would have to raise your rate per ride.

Mr. Clay replied we would have to raise it 45 cents.

Alderman Vaillancourt asked 45 cents per ride.

Mr. Clay answered yes.

Alderman Vaillancourt stated which is approximately half of the current rate so your rate would have to go up 50%.

Mr. Clay responded yes.

Alderman Thibault asked the percentage increase in your budget this year as compared to last year is what. What is the increase from what you had last year compared to what you are asking for this year?

Mr. Clay answered it is 17% if we were to go where we were going when we first came in.

Alderman Thibault asked out of that 17% what has been the increase in the gasoline and oil costs of the MTA. Can you give me some idea?

Mr. Clay answered our fuel costs have gone up somewhere around 75%. We have gone up \$66,000 just in our health insurance. Our automobile insurance has gone up approximately 12% and of course there are the pay raises and stuff through the contractual agreement.

Alderman Thibault stated so a total percentage increase let's say in your budget this year would be what.

Mr. Clay replied it would be about 17%.

Alderman Thibault stated I just want the Board to be aware that some of those are things that you have no control over. In other words, gasoline prices have gone up and insurance has gone up and certainly you had no control over that. I was just trying to make the Board aware that some of these costs are not just born by the MTA, it was something that was given to you and you had to take care of.

Mr. Clay responded that is right.

Alderman Vaillancourt stated I would like the Board and everyone else to know that if it seems Draconian to raise your rate from 90 cents to \$1.35 I might note that according to the documentation you provided us it costs now \$4.28 per passenger ride so the average person that rides in one of your buses is now paying approximately 20% of the cost for that service. I would like the government to be able to pick up 80% of the cost for me to operate my car. That is just my comment.

Mr. Clay stated of that \$4.28 though, you have to take out the 55 cents that the patron puts in the fare box themselves, which would bring it down to \$3.73.

Alderman Levasseur asked how much of that is Federal money.

Alderman Vaillancourt stated it is still taxpayer dollars so my point is the same whether it is Federal or City money. There is a subsidy of approximately 75% and the person who is using the service is only paying about 25%.

Mayor Baines replied I think that is generally recognized with public transportation that there is a very significant subsidy to service the needs of a lot of people who do not have the ability to own private transportation. I think you will find that in most cities.

Alderman Vaillancourt stated I just have never recognized it to this extent.

Mayor Baines responded it is a very significant subsidy in just about every community to maintain public transportation and I think if you go back wasn't it in the 1980's that there used to be 8,000+ passengers and now you have about 1,200 per day.

Mr. Clay stated a long time ago there was standing room right up to the front door.

Mayor Baines asked weren't the figures around 8,000 rides per day.

Alderman Vaillancourt stated my point was that we basically as the Traffic Committee voted to raise the parking fees for downtown and to double them in some instances to more correctly reflect the user paying for the service that is being provided. My point is that to raise your rate for the service being provided does not seem to me an outrageous request.

Chairman Cashin asked how much is your request for, Mr. Clay.

Mr. Clay answered \$771,000.

Chairman Cashin asked what was it last year.

Mr. Clay answered \$663,330 and the year before that it was \$651,000 and the year before that it was \$900,000.

Chairman Cashin stated when we first took over this bus system we made a conscience decision that we were going to have to subsidize it. We knew it and we accepted it and buses are simply for people who don't have cars. That is why we need them. As far as the subsidy, we are going to subsidize them as long as we have them and I think that is an accepted fact and I have no problem with that. That is what we are here for.

Alderman Vaillancourt replied well it is a question of how much to subsidize. You don't want to go to 100% subsidy do you?

Chairman Cashin responded if I have to I will. If that is what this community has to do to provide transportation for people who don't have it, yes I guess I will.

Alderman Thibault stated the biggest thing that we have to consider here is that 90% of these people are elderly or handicapped.

Mr. Clay stated they are what we call transit dependent people because they do not have the means either due to fixed incomes or low incomes to have their own automobiles and that is the bulk of our rides.

Alderman Thibault stated I happened to go to Vista Foods this morning where MTA provides the bus to get these elderly people to the market once a week. If they didn't have that bus, these people...somehow the City would have to take care of that. I don't know how we would do it if we didn't have the MTA service that we do have. I would certainly support it.

Alderman Clancy asked, Don, how much of an increase is the insurance.

Mr. Clay answered \$66,000 or 15.5%.

Alderman Clancy asked what percent does an MTA employee pay.

Mr. Clay answered 10%.

Alderman Clancy asked everybody pays 10%. The management pays 10%?

Mr. Clay answered no the management does not pay 10%. We don't pay anything.

Alderman Clancy asked how many people is that.

Mr. Clay answered 12.

Alderman Clancy asked don't you think it would be prudent if you paid something.

Mr. Clay answered that is something we would have to bring to our Commissioners.

Alderman Clancy stated that would be a good idea. Nowadays the way insurance is going, 10% is nothing.

Mr. Clay replied well that is something that we can bring to our Commissioners.

Alderman Thibault asked what is your current fare right now.

Mr. Clay answered for an adult it is 90 cents, a senior citizen or elderly handicapped is 45 cents and 67 cents for school students and \$1.50 for the elderly handicapped door-to-door service.

Alderman Thibault stated seeing that the fare has not increased since 1991, wouldn't it be proper to maybe readjust that a little bit like maybe 10 cents or 15 cents to maybe address the question that Alderman Vaillancourt is bringing up.

Mr. Clay stated in the information that I sent you over the weekend, we do intend to address the fares to increase them starting July of next year. We do have to take it to a public hearing. We can't impose any increases without a public hearing. We are going to look at it and we are going to take it to our Commissioners and have a public hearing. The thing is we don't want to raise it to a point like if we raised it 45 cents I can guarantee that you will lose 15% to 20% of your passengers for it and what have you gained then.

Alderman Levasseur asked how much would it be just to raise it 10 cents for the regular people. What would your income be on a 10-cent raise?

Mr. Clay answered we can't just raise one. The elderly handicapped has to be half of the adult.

Alderman Thibault stated and I believe the Commissioners would have to get this going and bring it to a public hearing.

Mr. Clay replied they have to approve it but it does have to go to a public hearing.

Alderman Lopez stated you wanted an additional \$66,000 from us and if we stay with the Resolution of \$705,000 there is no way in the entire budget that you could pick that up.

Mr. Clay replied if you want to stay with the \$705,000 that was put to us, somehow we would live within that. It would be an awful struggle.

Alderman Lopez stated but you could do it. You have good management down there right.

Alderman Vaillancourt stated he already said they are going to have a rate increase. That is going to increase some.

Alderman Pariseau asked would it be appropriate to remove the tabled item from the table.

Alderman Pariseau moved to remove the appropriating resolution from the table. Alderman Thibault duly seconded the motion.

Alderman Wihby stated I just want to question the \$20,000 for the civic center. Can you live within the \$705,000 and still do the civic center?

Mr. Clay replied no we cannot.

Alderman Wihby asked so what are you going to do just tell them you can't do it.

Mr. Clay answered no. When we brought this in last time there was a suggestion that we could get some money and leverage that with Federal dollars to do the shuttles. If that \$20,000 came from the parking meters to us, then we could go to the Feds for \$20,000 but if you are asking us to go and get the \$40,000 to do the shuttle, it is not there.

Alderman Wihby asked will there be a charge for the shuttle.

Mr. Clay answered no.

Alderman Wihby stated the charge is just the increased parking fees.

Mr. Clay answered that is right.

Alderman Wihby stated so we should add the \$20,000 to the resolution because we are getting that in revenue in the other end.

Alderman Levasseur moved to add \$20,000 to the appropriating resolution.

Chairman Cashin stated if this is going to work you want to provide the shuttle and my understanding is you will get reimbursed for it on the other end through the parking fees. Is that correct?

Mr. Clay replied what happens I guess is the \$20,000 from the City would come from parking revenues I would assume and then we could leverage that with Federal dollars but that would entitle from what we figured out, probably 80% of the events with two buses. We have a figure on that. I can't give you 1,000 buses for that.

Chairman Cashin stated I assume this is something that you worked out with the civic center committee.

Mr. Clay replied we figured out how much it would cost and how many you need but the civic center is not going to open until November so you have four months that you are not going to run.

Chairman Cashin called for a vote on the motion to remove the item from the table. There being none opposed, the motion carried.

On motion of Alderman Levasseur, duly seconded by Alderman Thibault, it was voted to read by title only.

Appropriating Resolution:

"A Resolution appropriating to the Manchester Transit Authority the sum of \$705,000 for the Fiscal Year 2002."

(Tabled May 8, 2001)

Alderman O'Neil asked, Don, if I recall your presentation with regards to the civic center you were talking about two buses. If for some reason it is determined that that is not the right amount in order to do this but yet the revenues are still there, how do we do that within your budget if we accept the number tonight?

Mr. Clay replied I don't think I understand what your question is.

Alderman O'Neil responded well you are saying that we need to add \$20,000 for the shuttle service to your budget correct.

Mr. Clay answered yes.

Alderman O'Neil stated that is based on two buses. My question is if it is proven after two or three events that that is not the appropriate amount of buses needed to do a shuttle service we are locked in in your budget so how do we work our way around that?

Mr. Clay replied what we would do at that point is go up to the amount that we would figure we would have and tell you that you spent all of the money and we need more money.

Alderman O'Neil asked so there is a mechanism to allow for more money to come in.

Mr. Clay answered the mechanism at that point would have to come from parking meters.

Alderman Cashin stated they have to come back to this Board.

Alderman Clancy stated you are actually going to make out the first year because the civic center doesn't open up until November and the budget starts July 1. So, the first year you might be okay but the second year could be questionable and that is the time to come in whether you need more money or not so you will have an idea by then.

Mr. Clay stated well we only figured that we were going to be 80% or 75%. If we were figuring for the whole year, we would be asking for more than \$20,000. I think that a lot of it is going to depend on each event. We will work closely with you on this.

Alderman Shea asked could you explain a little bit about this shuttle service. Who are you going to shuttle and where are you going to shuttle them? What is behind this service? Are you waiting for some kind of a schedule? How are you going to set this up?

Mr. Clay answered I am sitting on the committee that is talking about parking and using shuttles right now and we have taken and devised four different routes that would take people to different parking areas. On the first few runs we don't know

which route we are going to take. Like I said last time what we probably want is the fastest route so we can get back and forth as quickly as possible.

Alderman Shea stated in my judgment we are talking about two things. We are talking about an appropriation for you and we are talking about a \$20,000 subsidy for a shuttle service that you will implement when the civic center opens. Is that correct?

Mr. Clay answered yes.

Alderman Shea asked but you don't know which sections you are going to be shuttling people from.

Mr. Clay answered we have a route that we are going to go, two of them actually on both sides of Elm Street to hit all of the parking lots going all the way to Warren Street. After the first few times we will know if we have to go up that far or if we need to devise another place to park and we will change our route to whatever the City needs.

Alderman Shea stated so hypothetically if an activity starts at 7 PM you are going to shuttle people from say 5:30 PM or 6:00 PM to the civic center and you are going to be there at the conclusion of it to shuttle them back to where their car may be or are you just going to shuttle them one way.

Mr. Clay replied it will be both ways.

Alderman Wihby moved to amend the appropriating resolution by increasing it by \$20,000 to a total of \$725,000. Alderman Levasseur duly seconded the motion.

Alderman Vaillancourt stated just to follow-up on Alderman Shea's question so somebody is going to go to the hockey game at 7 PM and they arrive at 6 PM and you will make several trips back and forth from the lots to the hockey game. You won't be inundated with people and presumably they will be coming in at a leisurely pace but the hockey game gets over at 9:30 PM and everybody wants to get back to their car at once. What are you going to do about getting them back to their car at once when everybody comes out at the same time? Are they going to stand there in 20 degree below zero weather waiting outside for you to shuttle them back?

Mr. Clay answered yes they are.

Alderman Vaillancourt asked how many trips are you planning to make back and forth while you are waiting inside after a game.

Mr. Clay answered as many as it takes.

Alderman Vaillancourt asked so you will just keep running that shuttle back and forth for that \$20,000. You must have done some kind of analysis to figure this out. This has to be a concrete proposal. How many have you decided?

Mr. Clay answered we are figuring four hours per bus per event.

Alderman Vaillancourt asked is that two hours before the event and two hours after.

Mr. Clay answered that has not been decided yet. That is going to have to come from the committee.

Alderman Vaillancourt stated I am going to suggest, Mr. Chairman, that until we decide what we need this is just not the way to do business...to pass something that is not decided whatsoever. It doesn't seem like any work has been done on this at all to flesh it out.

Alderman Lopez stated the committee with Jay Taylor is going to be reporting to the Civic Center Committee and a final decision has not even been made on the buses.

Alderman Thibault asked with the \$705,000 or the \$725,000 if it is amended, are we talking about any curtailment in services that we presently have.

Mr. Clay answered no.

Alderman Shea stated one of the major concerns that the people who are in favor of the civic center advocated was they would like people to walk along Elm Street to benefit the merchants who are servicing the particular areas. Will you be stopping at different venues like the Black Brimmer and so forth? I am very serious about this.

Alderman Cashin responded you have made your point.

Alderman Cashin called for a vote on the motion to amend the appropriating resolution. The motion carried with Aldermen Shea and Vaillancourt being duly recorded in opposition.

Alderman Wihby moved to approve the appropriating resolution as amended. Alderman Lopez duly seconded the motion. Chairman Cashin called for a vote.

The motion carried with Aldermen Shea and Vaillancourt being duly recorded in opposition.

Welfare

Ms. Susan Lafond stated I wonder if I could take a minute and make a brief statement. I would like to take this opportunity first of all to introduce Jackie Whatmough who is the Deputy Welfare Commissioner and she and Gene Mackie, the Business Services Officer at the Welfare Department put together the initial presentation of the budget and they have done an outstanding job. I wanted to thank the other staff as well for hard work under very trying circumstances. I also want to make a brief statement about the incredible events taking place in my department over the past year. The adage that you really find out who your friends are is really true and I want to thank friends and strangers alike who have wished me well and sent messages by phone and card and stopped me on the street. Of course at the top of the list must be the Aldermanic Board who understood how truly important it is for any administration to support their managers. I didn't request your support, which makes it all the more courageous and I thank you all from the bottom of my heart. Make no mistake however, that what happened to me could happen to any department head. It began as a personnel matter that could have been resolved. Unfortunately, political influences encouraged and inflamed the situation. I truly felt that I was like Alice in Wonderland. Things were so upside down. Many have wanted me to speak publicly but as you know as a manager I cannot speak about personnel matters no matter how much I would like to. I used to say often that truth is stranger than fiction but it is only recently that I have learned the rest of that quotation and it is truth is stranger than fiction because fiction has to make sense. Thank you all very much. I am very glad to be back at the job I was elected to do and intend to once again give my absolute utmost to the citizens of the City of Manchester. Thank you. Now I am ready for the bad news. I am not going to go through the Powerpoint presentation and I really am not going to give any kind of outline. The major issue that we are facing in the Welfare Department has been the one that we have been facing for some time. Basically the chickens have come home to roost. We have been afraid that something like this was going to happen for the last four or five years and have been lucky enough to have staved off the problem. Now it hit us full force and we are looking at an additional appropriation at a minimum of \$203,000 to get us through next year and that is a very conservative estimate because as you will see we will overexpend our budget this year by about \$75,000 bringing our total for rental expenditures this year to \$550,000. The \$203,000 additional that I am looking for for next year's budget represents a \$50,000 increase over what we will expend this year. I made some minor corrections based on the latest information that we had. We moved \$9,000 out of our building rental amount, which is our own building that we are paying rent to and moved that to the food line item. We

then took a total of \$4,000 out of the miscellaneous line item and spread that between fuel, which is oil delivery for clients, \$3,000 from the miscellaneous account into the fuel/oil delivery for clients and \$1,000 from the miscellaneous account into the natural gas account. I know you know that all of this is a guess and it is based on recent experience. It is a very tight budget and we will hope for the best. I read the latest small business development corporation's manufacturing survey and they are very, very optimistic about manufacturing in the next couple of years. Our caseload is very low. It is very low. It is starting to climb, but we are still number's wise nowhere what we were seeing in 1991. However, in 1991 we had vacancies in the double digits if you recall. It was 20% and up and we were paying \$35 for a room that is now \$130 and has a waiting list. We are paying rental amounts for apartments that we have never paid. Even in 1989 when many of the people that we saw were paying 90% and 95% of their income for rent, the rental amounts were not near what we are seeing today. We are making decisions about paying rent to keep people in places that we normally wouldn't because we have no alternative. The fires have been a tremendous...well this is an understatement and probably not an appropriate way to say it but fire is a terrible thing and we had another horrible fire this week with five households losing their homes and everything in them. It was a total of 39 people. There have been hundreds of units lost through fire over the last couple of years. Add that to the lack of low income or any housing being built...I looked at some figures for two years ago I think it was when there were 1,400 housing starts in the lower tier of New Hampshire and we had 145 the next year. When you add that to the loss of units through fire it is really quite a dramatic picture that is painted. We still have many low income employment available for our clients but the only people we are seeing that are working are coming to us because they can't pay their rent. Otherwise, we have no one on our work program and we have no one who is able bodied. The second sheet that I gave you...I usually try to include something like this just so you have an idea of who and how many times we see people. The unduplicated case count is...we count people that we see in two ways. We count them once if they come in three or four or five times a year. Their case may be opened and closed but we still only count them once as an unduplicated case count. Then of course we see and count every time someone comes in because we want to know how many face-to-face contacts our staff has and that has a dollar value. Looking at the total cost of the Welfare budget, including administration and this is an average amount so it is not a true picture but it is an average of what it costs the taxpayers of the City of Manchester for each household per year when they come into the Welfare Department. In 2000...we had been right around the \$400 or \$450 per client household per year. Now in 2001 really because of the hotel and motel costs that have increased so dramatically for us and the rental amounts, we have gone up to \$591 that it costs the taxpayers per household we assist per year and I am expecting to be over the \$600 mark. That is a substantial increase obviously tied strictly and solely to the amount of rental costs and motel

and hotel costs. We have less flexibility with motels and hotels as well. Just as we do with private landlords who don't want and don't need to have to utilize our clients because there are so many others who have cash in hand and who they may perceive as not being as problematic, motels and hotels are also in the same boat. Finance has been wonderful. We have developed some quicker ways of paying motels because otherwise we wouldn't have any motels that would do business with us but still the cost is \$100 a night approximately. Last summer we actually had motels that went up to \$300 a night and these are places that you wouldn't necessarily want to stay but NASCAR weekends and leaf peepers and a variety of other reasons that people come to our wonderful state take up the motels and hotels. It is supply and demand and I am not looking forward to a situation like that this summer. I would be glad to answer any questions.

Alderman Pariseau stated I have a problem with the rates that you were just quoting. Couldn't we just offer a vendor X number of dollars and make them take it.

Ms. Lafond replied no.

Alderman Pariseau stated rather than paying the \$100 a night or \$300 a night or whatever.

Ms. Lafond replied well we didn't pay the \$300 a night. I was ready to drive people to Massachusetts myself before paying \$300 a night. We have, for many years, negotiated rates with landlords and motels but when they say no and they don't need our business we have no basis for negotiation. If you have an idea, I am all ears.

Alderman Pariseau asked could we institute an ordinance or something under this emergency situation to mandate that a vendor or somebody...

Ms. Lafond interjected under the statute the landlord cannot refuse our voucher. It is legal tender, but that only takes effect once someone is living there. Landlords have the right to refuse anyone for any reason as long as it is not discriminatory but once we have someone who is living in a property, the landlord must accept the voucher.

Alderman Vaillancourt stated one of the things that I remember doing when I traveled in Europe and the hotels were actually booked up, in Berlin for example, was staying in private residences which were very interesting experiences actually. I assume there are all kinds of problems with doing this, but has this ever been tried? Could you place some of these people perhaps and I am not suggesting that

you not pay the private residences but have a group of people in the community who might be willing to take people in for a fee?

Ms. Lafond replied we have paid private individuals whenever the client has found someone who will put them up and we have given them not a rental amount but a portion of what we would normally pay for a room. It is very difficult for us to take that position. I would have to have some kind of licensing agent...well not a licensing agency but someone who would approve it. I don't know who we would be offering these places to stay and I don't know what they would be like. I would have to have some way of figuring out if they are appropriate to refer people to. We have had calls in the past from people who wanted companions for elderly and we just can't get into that because the liability is tremendous. We have at least eight families at any given time in the family shelter. In addition thanks to John Brisbin we will have the units that he has acquired very shortly on line and that will be three beautiful large three-bedroom units. I am very excited about that. Hopefully we will have those before the end of June.

Alderman Vaillancourt asked you mean the library location.

Ms. Lafond answered yes.

Alderman Levasseur asked Bethel Court.

Ms. Lafond answered yes. I am open to a variety of things. I have talked with the Housing Authority and they are very supportive and willing to help us in any way they can but the many units that they had last year are full.

Alderman Thibault stated first of all I doubt that this Board could legislate what private industry can charge for their rooms. I would hate to be in business and have you tell me what I am going to charge for my room. My question is that most of the increases that you have to bear are increases in hotels, motels, oil, electricity and bills that you are paying for these people and I don't know how you can regulate that. Can you tell me what percentage of your increase that might be?

Ms. Lafond replied it is going to be just over \$3,000 for oil delivery for all of the clients.

Alderman Thibault asked how about the motels and hotels. What was the increase on that?

Ms. Lafond answered it is about \$70,000 for that. We are spending \$10,000 or almost \$11,000 a week on rental costs.

Alderman Thibault asked if I look at this maybe \$120,000 to \$130,000 of this money is just because of increases that have been thrown at you that you have to pick up.

Ms. Lafond answered absolutely. I am hoping to have some other ideas so that we will not have to utilize motels to the extent that we are but we are getting people everyday and with this fire, five additional families in one fall swoop.

Alderman Shea stated I just did some fast calculating and I am sure you are pretty close to the regular salaries versus your payroll for the rest of the year. You may finish a little bit in the black with maybe \$15,000 or so.

Ms. Lafond stated that is a question that I had myself that I am not quite clear about. I figured that there is about \$55,000 that I can pull from other line items to finish this year not including that salary line item.

Alderman Lopez asked on the line item 0869 where you have \$396,000 and an additional \$203,000 for Rent/Welfare is that for the building itself or the apartments that you rent.

Ms. Lafond answered that is strictly the cost that we pay for motels and hotels and to landlords for rent for our clients.

Alderman Lopez asked it has nothing to do with the Welfare Office.

Ms. Lafond answered no.

Alderman Lopez asked what about 0098, Special Projects. Can you give me an example of what that is?

Ms. Lafond answered that is our ongoing, never ending, never finished paperwork computerization. We have tried to get something done in the office since 1990. Now it is a matter of Information Systems being able to provide the staff to help us. They have been very short handed. It is strictly for casework computerization. Everything that we do is done manually when it comes to casework information. Of course, we have HTE and word processing but as far as client information is concerned it is all collected manually.

Alderman Lopez asked are you getting the necessary help from Information Systems.

Ms. Lafond answered yes.

Alderman Vaillancourt stated I would like to focus on line item 0869 because that does seem to be where the major discrepancy between the department's request and the Mayor's recommended is. \$396,000 is what the Mayor is recommending and your request is \$575,000. I guess my question is more for the Mayor and Mr. Robinson than for the department head. Their actual expenditures for this item were \$473,000 last year. If I can do my Alderman Gatsas calculation, it looks like they are going to be close to \$500,000 this year if you extrapolate \$408,000 for the first nine months. How can we possibly think we can get away and you know me I would like to get away with the least amount possible in every department but how can we think we are going to spend less than the \$473,000 we did last year or the \$500,000 we are going to spend this year? Do we have a way to lower their hotel rates?

Mr. Robinson stated we don't have a way to lower their hotel rates but each department was given a bottom line budget. How they allocated that budget was up to them.

Alderman Vaillancourt stated well you projected in that line \$396,000.

Mr. Robinson replied that is what they put into their budget. We gave them a bottom line budget.

Alderman Vaillancourt asked so that \$396,000 is not your number.

Mr. Robinson answered that is correct.

Alderman Levasseur stated it says Mayor's recommended.

Mayor Baines replied I know it says it but we gave them a bottom line and they put in the numbers in those line items that they felt would fit the bottom line.

Alderman Levasseur asked so actually you increased their budget by \$50,275 but those were more along the lines of benefits and health.

Mayor Baines answered that is correct.

Alderman Vaillancourt stated the point in the whole budgeting process seems to be there are some things beyond our control. One of those things was the Yarger Decker structure that we now have and merit increases. It seems to me that this is a line that is pretty much out of our control. I mean aren't their laws that say we have to house these people and aren't there costs that we have to bite the bullet and accept? I hate to say it but I am not sure we can do much about this.

Mayor Baines replied that is why we have two phases of the budget process. We are in the second phase right now and if the Aldermen wish to add money they can.

Alderman Vaillancourt stated it is a wish to do the responsible thing and the thing by statute that we must be doing. I would think that would apply in both phases of the budget. Is there any way we can possibly live with \$396,000 on this line item or is there any way we can cut another line item to save that \$100,000? I can't imagine that we could cut that salary line item by \$100,000.

Mayor Baines stated the expenses, as the Commissioner will tell you, will be what they will be and we will have to meet those obligations no matter what. We are facing a situation this year with costs that were not anticipated because of the various fires and whatnot around the City and we are going to have to meet those obligations.

Alderman Vaillancourt stated but apparently last year we were way over also - \$473,000 as opposed to the \$396,000 budgeted in that line item this year. I am just wondering if we are being responsible by budgeting a figure that is by a factor 1/3 below what it should be.

Alderman Levasseur stated I agree with the line of questioning that Alderman Vaillancourt is going with. You are short this year by \$75,000?

Ms. Lafond replied yes.

Alderman Levasseur stated so we have to take that out of contingency.

Ms. Lafond replied the rental amount is short by about \$130,000 but I have other monies within the bottom line to make up the difference.

Alderman Levasseur stated I thought we were saving contingency money for Welfare because we didn't know how much their budget was going to be over.

Mayor Baines replied we have been monitoring the situation for about a month now.

Alderman Levasseur asked and what is the amount we have to vote to give them.

Ms. Lafond stated I talked to Kevin Clougherty the first week that I was back and gave him a number which was my best guess at the time after going through everything knowing full well that a couple of fires or something could make a difference.

Alderman Vaillancourt asked are you coming to this Board asking for money out of contingency at all.

Ms. Lafond answered yes.

Alderman Vaillancourt asked and that amount is \$75,000 right.

Mr. Clougherty stated that is the estimate that the department has given us at this point. Now the Board will have to remember that the estimate was higher several months ago. It has come down.

Alderman Levasseur replied I don't know where it is coming down from because I never heard a number.

Mayor Baines stated we have asked, I believe Mr. Clougherty has asked for verification of the number to insure that there are back-up materials to verify the number.

Alderman Levasseur replied I don't have a problem with that. If she is going to be short this year this much money and we are not going to be funding her enough in next year's budget because we are only giving her health and benefits and raises...now I am worried because you keep talking about leaf peepers and NASCAR and we have a civic center coming on board and there are going to be a lot less rooms because there are going to be civic center events in the middle of the winter. We have November, December and January when there are going to be some events. We are going to be putting aside contingency money when maybe we should be worrying about the same occurrences because if we are going to have less rooms and we all know that we are going to have less rooms if we have a civic center and 10,000 people are coming for an event we figure 10% are going to take up the rooms. We don't have 1,000 rooms in this area down here. We have to be very careful with this number and we are probably going to have to budget some more money for this unless you think we are going to be okay with these numbers the way they are and you don't expect...what are you expecting for next year?

Ms. Lafond replied I don't expect that it is going to be better next year.

Alderman Levasseur stated so you expect it to be the same. They are not going to repair these buildings and put these buildings back together tomorrow.

Ms. Lafond replied no but I do think over the next few years that the economy from the bottom will remain strong. However, I think for the next year or so we

will continue to see lay-offs at the bottom level. We are like a bell weather. We see, unfortunately, the poorest of the poor and the last ones to get the job so we are kind of right at the edge of what is happening.

Alderman Levasseur stated let me just give you a perspective of what is going on out there because I have a three family building that I have been renovating over the last couple of months and I haven't been able to get it on line yet but I have people coming to my building and somehow finding out that I have these empty apartments. I have phone calls after phone calls. I don't know how these people get my phone number to get my apartments. There is nothing out there. People are paying \$900...I went to a constituent's house the other day. An 86 year old woman at 127 Orange Street and I am telling you guys this apartment is not very big and she has to move because her rent has been increased to \$900 a month and that doesn't include any utilities and I am sitting here asking myself what is going on here.

Mayor Baines replied it is supply and demand.

Alderman Levasseur responded well you have under budgeted her in this line item. I don't think you realize...even with Bethel Court you didn't believe that these people were paying \$850/month. I didn't believe it. I am nervous about the way we are going about this budget right here.

Alderman Hirschmann asked you are saying, Mayor, that your recommended number of \$396,000 actually came from the Welfare Department.

Mayor Baines answered yes.

Alderman Hirschmann asked that was in February so that would be Deputy Whatmough who would have given that number.

Ms. Lafond answered what Jackie is telling me is there was a bottom line given. A frozen operating expense bottom line and they were allowed to divvy it up any way they wanted to.

Alderman Hirschmann stated I guess Deputy Whatmough was in charge so did that include the same amount of employees. Was there any less salaries? That number is less than the money you are spending this year. Alderman Vaillancourt is right on track. How did you come up with that number?

Ms. Lafond stated she asked for \$575,000 in the new budget for rent.

Alderman Hirschmann asked so this is the Mayor's number.

Mayor Baines answered the bottom line is the Mayor's number.

Alderman Hirschmann stated well you said it was the department's number. I am trying to get to the real story. So \$575,000 was their request?

Mr. Robinson stated the Mayor allocated to the Welfare Department \$1.3 million.

Alderman Levasseur replied their request was \$1.545 million.

Mr. Robinson responded that is correct. Now how they spread that money was up to the departments.

Mayor Baines stated it is the same thing the Aldermen did last year with the ½%. We cut back operating, if you remember last year, we cut back operating 2.5% below what it had been the year before and you asked all departments to manage their line items to make up that operating deficit and at the end of the process you cut them another ½%. There is no difference in what is going on right now than what happened last year and past years in terms of managing these budgets. It is up to the department heads to manage their line items. Now if you wish to put additional money in, that is what you have every option to do at this stage of the process.

Alderman Hirschmann replied what you are saying sounds very pretty but reality is they spent more than that number this year. They spent more than that number last year so why would be possibly appropriate that number?

Alderman Levasseur stated you cut them by \$225,000 on their request and we already know that we have to give them \$75,000 more this year.

Mayor Baines stated you can do what you want.

Alderman Levasseur stated well we don't want to be taking the money out of contingency.

Alderman Clancy asked, Sue, how much money do you need to finish off the year.

Ms. Lafond answered well that is a day to day thing. We are looking at \$70,000 or \$75,000. We still have six weeks for people to come in with requests. If we are moving along at the same rate that we have been moving without anymore fires...we spent \$2,500 on the fire victims alone this week so that is an expense that is over and above.

Alderman Clancy asked so in other words you need \$75,000 to finish out this year.

Ms. Lafond answered well we will have to see what the next six weeks bring. Maybe we will lose 10 households. It is a day to day thing.

Alderman Clancy asked, Kevin, how much is in contingency.

Mr. Clougherty answered there is \$98,000 right now.

Alderman Clancy stated so we do have the monies to cover it.

Alderman Levasseur stated we have been very prudent because of that.

Alderman Wihby stated it is kind of confusing here. I think everybody thinks that she is coming to us asking for \$75,000 and that it is coming out of contingency so if anybody came forward in the next month and wanted money for contingency we would have to say no because we are giving it to Welfare and that is not true. The money would come from fund balance. It doesn't make a difference except that if we wanted to spend all of the contingency tomorrow we could and she would still get her money because it would drop down from the fund balance that we had. It is a little different than just saying we can't touch contingency for the rest of the year or again if it happens next year saying we have \$200,000 and saying we have to keep it for Welfare. We don't have to do that. The fund balances from all of the other departments make up for the departments that overspent.

Mr. Clougherty stated in her situation that is true because it is a little bit different. It is like a bond. We have a statutory obligation to cover those costs no matter what.

Alderman Levasseur stated well I would like to make a point of clarification because the firemen came to us looking for memorial funds of \$10,000 and we were told by the Mayor and Kevin Clougherty to leave the contingency money alone because we didn't know how much Welfare was going to have to come in and ask us for. That is why we all believed it was coming out of contingency. Now I understand the explanation for fund balance but at the same time other people have come in and asked us for money out of contingency and we have been told not to go into that account for a reason. I don't know how many people think we are going to get a fund balance every year or we are maybe learning that this year. You look at the fund balance that we are going to get this year and it is pretty substantial. We probably didn't know that so I am willing to give that one up.

Mr. Clougherty stated when we were first presented with this we were presented with a number of ideas and issues that were competing. We had some things from Fire and Highway and we wanted to make sure that we used those dollars, if necessary, at the end of the year as we always have. We don't provide contingency unless we know what the dollar amount is. The original request was more substantial and that is what we are looking to do but at the end of the day the number has to be covered for Welfare no matter what it is and that may be a fund balance issue.

Ms. Lafond stated this is only the second time since 1988 when I took office that we have exceeded our line items. We take very seriously our expenditures and try to negotiate with landlords and hotels and motels as a matter of course. That is part of the casework process and we will continue to do so and try to come up with some other ideas. I have spoken to a number of entrepreneurs suggesting that they open and build more motels. There certainly is a market for it here.

Alderman Shea asked could you submit to the Board what you might need in addition to what you have been allocated for rent so that when we determine your particular budget it would give us a better idea. In other words, if you feel you need \$180,000 or whatever for next year.

Ms. Lafond answered you should have that in the handout. It is very possible that if things continue this way with no let up and we continue to have increases in rent and we are losing a motel that we have used quite a bit. They have been terrific to us and it is being torn down. If things continue we could easily spend \$650,000 next year but I put in \$600,000 and that would require an additional \$203,000 appropriation.

Alderman Lopez stated Susan and Jackie as managers you are doing the exact thing you should be in looking at other line items now to come up with the final number that you have to ask for. That is an ongoing process understanding that we have the obligation and responsibility to give you more money if you need it. Saying all of that and getting the budget, the \$203,000 that you indicate you need you could run into the same situation next year going through those line items like for example you have \$20,000 for burial expense and say you only use X number of dollars so in that case you can use that money somewhere else.

Ms. Lafond replied that is what we are doing right now.

Finance

Mr. Clougherty stated you have a summary sheet with wages. You will see that the number is \$602,094. If you were to do what Alderman Gatsas does and divide

by nine and multiply by twelve to annualize that number, the number would be \$802,721. That is a difference of \$20,000 between what our current year's budget is. The reason that we are going to be...and we expect that we will probably turn back this year in the salary line somewhere around \$25,000 and the reason we are going to do that is we had a number of positions that had been vacant during the course of the year. We had the internal auditor that went from Todd to Kevin. We had that three-month time when that was open. We had another position that was open for a month and a half in the middle of the year and we have a position that is vacant now. If you take those vacancies and add them up, it comes up to almost exactly the \$20,000 difference that we will be turning back. If you go over and take a look at the Mayor's recommended column, the difference between what we requested, the \$908,000 and the \$877,000 that the Mayor is giving us, that is a position that we requested. We have a complement of 15. We have 14 bodies currently working in the department. We asked for this position last year as well to help us with the GASB types of things that we are looking at. The Mayor, as he has done with most of the budgets, has asked us to live within our current complement so that is the difference between what we have asked for there.

Alderman O'Neil asked the \$877,000 is for 15 people.

Mr. Clougherty answered it is 15 positions budgeted full time and that was done by HR. If you take a look at the column titled Budget Change – Mayor's vs. FY01 and you go down to the bottom you will see that the difference between the Finance Department's budget for the Mayor's compared to the previous year...the difference is \$79,000. That is a 6% change. Of the \$79,000, \$54,000 is the Yarger Decker 3% plus benefits so of the \$79,000, \$60,000 is in salaries and wages. The additional \$20,000 is in one line item and that is to meet the audit requirements of the new audit that we went out under competitive bid to bring in McGladrey. Our budget for the most part is the same complement, the same number of positions and what is built in there is the salary and wage contract requirements and the additional amount we put in for auditing as a result of bidding out the job and most of that \$20,000 increase in the auditing is because of the different relationship with the School District and the work that is required there. We expect that in this year we will give back in addition to the \$20,000 in salaries another between \$10,000 and \$15,000 in our line items and that is because we didn't do a bond issue this year but we will be in the market next year and that is why we have asked to continue those lines. The printing costs and all of the things that go along with the bond sale are what add up there. I will stop there and answer any questions you may have.

Alderman Wihby stated on the revenue side I am looking on Page 8 for FY02 revenues recognized and if you look at the total on Page 9 it is like \$1.5 million less in FY01 than in FY02. The big part of that I guess is income from invested

funds. That is \$800,000. Is that because of the division between the School and the City?

Mr. Clougherty replied right. We believe that we will make the budget estimate plus. If you look at the income from invested funds, which is 4770, collected to date is \$1.899 million. The budget was \$1.7 million. We expect that we will probably be close to \$2.4 million.

Alderman Wihby asked \$2.4 million this year.

Mr. Clougherty answered right.

Alderman Wihby asked so why won't we be at \$2.4 million in FY02.

Mr. Clougherty answered because a lot of what has happened there is rates. When we started, if you take a look at what rates were, the rates in July the previous year started at .521. Last July when we did this budget they were at .667. The rates right now are about .508 and when you are talking about investment rates in the pool they are about .463 so the rates that you can earn on your investments have dropped off and we expect that those are going to stay low during the course. Last year we started with significant funds and we had a good rate to work with and we were able to generate some dollars. We don't expect that is going to happen this year.

Alderman Wihby asked what about all of those other line items that have numbers in FY00 but not in FY01 or FY02. Accrued interest on bonds, premium on bonds, etc.

Mr. Clougherty answered those are things that come as a result of a bond sale and they are not things you can budget. It is based on what the market can bear and if we go in and we have a bond sale and part of that sale results in some premiums then those will be recognized but that is not something that you can predict or something you should be budgeting for.

Alderman Wihby asked well don't you know if you are going to have any of those. Are you going to have any of those in FY01?

Mr. Clougherty answered no because there was no bond sale.

Alderman Wihby asked how about in FY02.

Mr. Clougherty answered we don't expect that there will be anything in 2002 just because of the market and the rate and because of what is happening there. In the

past when we went into the market it was much different and the demand for municipal bonds was a different situation than it is now.

Alderman Wihby asked what about debt recovery impact fee.

Mr. Clougherty answered that is a school revenue at this point. That should be showing up on the school side. Remember we used to collect those but since last year we have moved those over to school.

Alderman Wihby asked do they know that.

Mr. Clougherty answered they should because we did it last year.

Alderman Wihby asked how about miscellaneous reimbursements.

Mr. Clougherty answered that is for the whole City - anything that is not collected someplace else. This year we have seen it at \$100,000 and we have also seen it at \$9,000. It is a shot in the dark.

Alderman Levasseur asked who are you advertising to.

Mr. Clougherty answered when we go out with a bond issue and also if we have to do something for a position.

Alderman Levasseur asked how did the manpower...you used to have all of the control of the schools in your department right. All of that used to be on the City side. How has that affected your department? They have taken control of probably ½ of the amount of the business but you still maintain the same amount of employees.

Mr. Clougherty replied when there was discussion about the Charter and about making the School District entirely separate this Board rightfully took the position that if that occurred there would be a duplication of cost and manpower and that they would have to replicate that and that is really true. If you take a look at the number of vendors and what is happening, we still have to cut a check to WB Mason every week for all of the supplies bought for the 27 departments. Now they have to do the same thing. We have to still go through what is necessary to make all of the payments for Public Service and all of the utilities and the other things associated with the 27 departments. The effort that is required to go through and bundle up all of those items is still the same but now they have to do it as well because now they have to cut one check for their...but that didn't cut back anything. The dollar size of the check made out changed but the manpower and the processing is still the same no matter what the dollar amount is and as a

matter of fact the dollar amounts haven't changed dramatically. The only place where there has been a reduction is with respect to payroll checks because we are not doing those but Finance's role in the preparation of the checks is machine time. We put it on the printer and instead of running 4,000 checks we are running 2,300 checks so what happens there is maybe there is a 10 minute delay but what you have to do to run those in terms of logging and processing is still the same whether you are running one check or 1,000 checks. That doesn't change. As far as reconciliation and the treasury side, we are still responsible for all of the debt and in fact we have had to do more now that they are separate in terms of keeping separate records. We have had to do all the bank reconciliation. We have to do what we didn't do before and that was to provide for the transfer of funds for them on a regular basis, which was handled as part of the general fund in the past. It has actually been more work in some respects for the separation. The volume of items isn't changing that much.

Alderman Levasseur asked and there is the amount of time that you have to spend dealing with chargeback issues and going back and forth debating whether the chargebacks are legitimate. What about HTE? Wasn't THE supposed to speed up the process for all of this work and cut back again on labor?

Mr. Clougherty answered I think it has. I think it has cut back on all of those things but you get to a diminishing return with a certain process that you have to go through for internal control measures to process checks and make sure that they are done right and log them in and do the reconciliation.

Alderman Levasseur asked do you know how many more employees on the Finance side the School Department has had to hire.

Mr. Clougherty answered no.

Mayor Baines stated we can get that number for you.

Alderman Wihby asked, Kevin, if you had to go back and do payroll again would you do it with your existing staff.

Mr. Clougherty asked for the School.

Alderman Wihby answered yes.

Mr. Clougherty stated again the person you would have to ask is Howard because it would be mainly his office.

Alderman Wihby asked I mean to do all of the work you were doing for them. Could you do it with your existing staff?

Mr. Clougherty answered yes because again it is the same process and whether you are doing it for 28 departments or 29 departments it is the same procedure. They have to just duplicate it all themselves.

Alderman Wihby asked the revenue sharing state is a set number. We know that is the number. Is there anything going on in Concord that is going to change that?

Mr. Clougherty answered not to my knowledge.

Mayor Baines stated also just to clarify the situation on the School side, they had spent about \$500,000 in financial consultant services even prior to the split. That was an ongoing service for a long period of time related to that and also some of the bookkeeping aspects of the operation.

Mr. Clougherty replied right. They have to have their auditors so that is a separate contract. Everything has to be as the Board said it would be, duplicated. Nothing is saved. We still have to go through all of the same procedures for investing whether we are investing \$1 million or \$1.5 million.

Alderman Lopez asked the \$877,000 is based on 15 people and you have 14 is that correct.

Mr. Clougherty answered my understanding is it is based on the 15 complement. HR did it on the complement for every department.

Alderman Lopez asked and you have 14 people right.

Mr. Clougherty answered right now we have 14 bodies.

Alderman Lopez asked under line item 0271, Staff Development, how do you operate this as a department head. Is this some certifications that your people have to take?

Mr. Clougherty answered right. We have some certifications but there is also in staff development where we have had to spend some money in the recent past is with the change in the accounting guidelines to make sure that...this is a one time thing that is happening nationally with the change in the Government Accounting Standards Board requirements for towns and we are trying to get people up to speed and familiar with that so they can deal with that and make sure that our financial reporting is consistent with generally accepted accounting principles so a

lot of what we have talked about is there. We have also used that line item, along with travel, to pay for the user group participation for HTE.

Alderman Lopez stated let me ask you as a department head on some of these staff development things as far as individuals who go for certification of completion of a course that you send them to, if they fail the course do they have to pay the money back.

Mr. Clougherty replied that is what we do.

Alderman Lopez asked that is what you do in Finance.

Mr. Clougherty answered yes. The other thing, too, is we try to make certain that we are not sending people so much to conferences as we are sending them to training sessions and things of that nature so that they get their requirements.

Alderman Lopez asked do you actually see their certificates.

Mr. Clougherty answered yes.

Alderman Cashin stated Kevin you say you have 14 people in your department so you have one vacancy and we have in every other department handling accounting or finances 39 FTE's.

Mr. Clougherty replied you probably have close to 55 FTE's.

Alderman Cashin stated well between your department and everything there are 54 FTE's in the City of Manchester. To me, that seems like an awful high number.

Mr. Clougherty replied I agree.

Mayor Baines stated we talked about that and I have talked to Kevin a lot about it over the past year and it is a process that has been going on in City government as we decentralized the financial accounting procedures and I think once we get through this budget process we are going to talk about it. We have put some ideas on the table in fact as recently as about a month ago. I asked Kevin to put together some proposals to begin addressing this issue and looking at the issue of decentralized financing. That decision was made in this government I don't know when.

Mr. Clougherty replied I agree and that is something we have talked about and I think we can do something about.

Alderman Cashin stated I never supported decentralizing financing.

Mayor Baines asked when did that happen.

Mr. Clougherty answered it has been there forever.

Alderman Shea stated I think that Alderman Cashin hit upon a concern that I have as well. In reviewing the budget, I think the School Department has about 15 people who do financing and 22 other people in other departments and it seems like a duplication. The other point is when I first became an Aldermen I think there were three people in the Personnel Department. Now it is Human Resources and I think they have as many folks as you do and I am wondering how we can...they have assumed certain duties that your office used to assume or responsibilities because obviously they branched out and you mentioned before that we would have to talk to Howard about the payroll checks for the School if it were placed back in the City. I wonder exactly how your department has grown and how their department has grown and yet we seem to...in other words why did your department grow so much over the course of time that the Human Resource Department came into existence when they assumed some of the responsibilities that you used to do? How do you account for that?

Mr. Clougherty stated well our complement going back for 12 years has been about 15 people. Now some of the functions of HR are payroll processing, which took three positions but we also have in our department the responsibility to do the financial reporting and the auditing and that is where we have grown because as the auditors have told you over the years you need to have segregation of duties and you need to have internal controls and you need to make sure that you are checking things so we have pushed forward to do more in the audit area and less of the processing. We think that that is something that is resulting in better credit ratings and resulting in a more accurate financial reporting system and getting you data faster than you have been getting it in the past. The size of the City has not gone down. We have the complexities at the Airport and with a lot of the Enterprises and the reporting has to be pulled together in Finance for all of that and it is not going away.

Alderman Shea asked do they have their own finance person at the Airport.

Mr. Clougherty answered the Airport has business people. What happens is you have 27 separate departments and all of them are responsible for doing their entries as they have always been. You could move to a central system where instead of all the bills going to the Airport they come to a central office and are accounted for. That is not something you are going to do overnight. That is something that you can grow to in a transition and that is what we have talked to

the Mayor about – putting in place some type of a transition over time that would allow for a central accounting system so you don't have to have all of these different areas but when you get into that...we have a range of people. At some of the Enterprises you have CPA's and in some of the smaller departments you have people who are receptionists and bookkeepers as well. There is a big difference. A lot of the people in the Finance Department spend their time helping the people in the smaller departments do their entries and having to correct them where if they all came to one department it would be more efficient.

Mayor Baines stated on the School side it is all centralized.

Mr. Clougherty replied School is one operation. It is not 27 different operations. Their contracts are pretty straightforward whereas ours, given that we are dealing with Welfare and the Airport and Highway and Fire and Police is a much different and much more complicated side of the City.

Alderman Shea asked when the Human Resource Department was expanded, how many types of responsibilities did your department shift over to them.

Mr. Clougherty answered my recollection is that at that time they took four positions to do payroll processing. In exchange on our side we got three positions and that was mainly to focus on auditing and financial reporting, which we have done.

Alderman Levasseur stated as a Board and as a group of individuals in the City I think we do a pretty good job and I think we do a lot of work. We have covered a lot of issues in the last year and a half. We have gone through some pretty strong battles but the one battle that continuously seems to haunt this Board and this City and me personally as an Aldermen is the issue of the separation between us and the schools. I guess I never realized how much money it cost...I am wondering if there is any way possible to quantify the amount of money that the separation is costing us on a yearly basis and maybe a sum total since the separation has come aboard. I think people need to know what that figure is going to be. I think the duplication of services number should be brought to us. Can that number be quantified in any way?

Mr. Clougherty replied it can be quantified on our side. On their side, you would have to ask them. The total cost is what they have had to do to duplicate what we are already doing and that we have to continue to do. We can tell you the additional costs that have to do with auditing for the bonds and the court related types of things. We keep track of that.

Alderman Levasseur asked the going to court types of things, the interest, the constant going back and forth...I think Mayor that this is the one thing that we are stuck on as a City. I think our City really has made some considerable leaps forward and in order to make that next leap it has to be ironed out whether we are going to be separate or not. If we are going to be separate, what are the best ways to do it and if we are going to get back together and make this under one financial umbrella so we can have one person to blame instead of having the blame go back and forth so if we need to get rid of the person or the department head who needs to take care of this issue...I really feel that this City and I think that this Board has done a remarkable job trying to help out the schools these past few years. I think we have done a lot of good work appropriating money for CIP projects and to fix the schools. I think that the one last thing we have a problem with is the cost of the continuation of these ridiculous fights. I mean obviously a house divided is always going to be divided. We saw it with the South and the North. There is that line. We have different types of ideologies but the cost is just burdensome and I think like you have said many times the ultimate people who are getting affected by this are the children because we are not giving them the money that we need to give them.

Mayor Baines stated there is only one taxpayer.

Alderman Levasseur replied you are right. It is all coming down to the taxpayer.

Alderman O'Neil stated this doesn't relate to Finance but I have a couple of things. One, do we have a travel policy in this City?

Mr. Clougherty replied yes we do and I can get you a copy of that tomorrow.

Alderman O'Neil stated I am aware of a situation where a department head is sending more than 50% of his employees to the same conference at the same time and they are not getting their workload done and that bothered me. I think, Mayor, that you are aware of that situation.

Mayor Baines replied yes and we have taken steps to address it. You do have a policy and we are reviewing those.

Alderman O'Neil stated I remember at one point we took away all travel and you had to come to the Board to get approval. The other thing had to do with...we talked briefly one night and I think it was during the City Clerk's presentation, about employees who don't have ties to departments. One is the archivist. The AP Director may be another. We have the ADA Coordinator, the Destination Manchester Coordinator, the Planner at Parks & Recreation and has anything been done to try to correct that.

Mayor Baines replied I think we would have to do it during the budget process.

Alderman O'Neil asked so nothing has been done.

Mayor Baines answered right but the money has been in the resolutions the way they have gone forward.

Alderman O'Neil stated it isn't the money that I am worried about. These are employees without a home in the budget is my point. It doesn't cost the taxpayers any more or any less. These employees should have a home as far as I am concerned.

Alderman Thibault stated I believe that Accounts and Enrollment has already made a recommendation as far as the travel policy. We made a recommendation to this Board several months back and I think that is still in place.

Mr. Clougherty replied that is right. You have an adopted policy and if the Mayor wants to make a change it would go back to the Committee on Accounts and go through the process to be amended.

Alderman Hirschmann asked, Kevin, if your account clerk already takes the WB Mason bills and divides it into 27, in the future to benefit the taxpayer and bulk purchase, would a purchasing manager sit in the Finance Department or would that person sit in the City Clerk's Office. Where would that person fit in City government?

Mr. Clougherty answered we have provided several models over the years. What you really need is a Department of Administration.

Alderman Hirschmann stated forget about creating another department.

Mr. Clougherty stated I think I have talked to Alderman Lopez about this. You would have a department of Administration that would consolidate a lot of the financial aspects.

Alderman Hirschmann stated without creating a department because we don't want to do that, where would a procurement manager fit in City government right now.

Mr. Clougherty replied it would be with the accounting. You could pull all of that accounting together and that would be a logical place.

Alderman Hirschmann asked but where would that person fit. In which department right now?

Mr. Clougherty answered right now a lot of the purchasing is done by the Highway Department and that is where it is. If you consolidated it and did a central accounting in a finance area it would be in the Finance Department and the purchasing person would want to sit next to the accounting people.

Alderman Hirschmann asked wouldn't it make sense to put them in your department because say WB Mason if the procurement manager bought all of those supplies and then the person next to them had to divide the bill up by 27...

Mr. Clougherty interjected we don't divide the bill up. We take it and pull it together but you are right. There is a logical relationship there for those people, but you have to make it an internal control issue.

Alderman Hirschmann asked didn't we spend \$25,000 on a study two years ago that said we should do that. Didn't the consultant say that the City should move towards that?

Mr. Clougherty answered yes.

There being no further business, on motion of Alderman Thibault, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee